

APPRAISAL REPORT

OF

A THREE-STORY OFFICE BUILDING AND LIGHT INDUSTRIAL BUILDING  
100 AND 200 MARKET STREET  
(AKA 1 FEDERAL AND 11 FEDERAL STREET)  
BLOCK 73, LOTS 1, 73, 76, 142, 143 AND 144  
CAMDEN CITY  
CAMDEN COUNTY, NEW JERSEY

FOR

SUSQUEHANNA BANK  
1800 DUAL HIGHWAY, SUITE 100  
HAGERSTOWN, MD 21740

AS OF

AS IS MARKET VALUE - NOVEMBER 25, 2014

AS STABILIZED MARKET VALUE – JANUARY 1, 2015

# ROBERT M. SAPIO

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December 18, 2014

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Susquehanna Bank  
1800 Dual Highway, Suite 100  
Hagerstown, MD 21740

RE: A Three-Story Office Building and Light Industrial Building  
100 and 200 Market Street  
Aka 1 Federal and 11 Federal Street  
Block 73, Lots 1, 73, 76, 142, 143 and 144  
Camden City  
Camden County, New Jersey

Dear Susquehanna Bank:

Pursuant to your request, we have inspected the captioned property and analyzed data pertinent to its Market Value estimate. Provided is an Adobe PDF file of our real estate appraisal report setting forth the research, analysis and value conclusion.

This is a real estate appraisal report under Standard 2-2 of USPAP and is intended to be prepared in conformance with Susquehanna Bank Appraisal Guidelines, as outlined in the Letter of Engagement dated October 27, 2014, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute (AI), the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP) and Title XI of the Financial Institute Reform, Recovery and Enforcement Act of 1989 as amended June 7, 1994 (FIRREA).

No appraisal services have been performed on the subject property within the past three years.

The subject property consists of a three-story office building, known as the Administrative and Engineering Building, containing 343,139 square feet and a light industrial building, known as the Operations Building, containing 226,244 square feet, situated on a 21.044 acre site.

We have provided two value estimates, the As Is and As Stabilized Market Values. The As Stabilized value is a prospective market value estimate. Prospective market values are typically based on a future event such as new construction or commencement of a lease. In this instance, our "As Stabilized" market value is based on the execution of a lease with Cooper Hospital for the entire second floor of the three-story.

RE: A Three-Story Office Building and Light Industrial Building  
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The entire property is presently tenant occupied by L-3 Communications. As a result of the new lease, L-3 Communications will occupy the entire property except for the second floor. Cooper Hospital will take occupancy of the second floor under the terms of a proposed lease.

The L-3 Communications lease represents a new ten year lease with two five-year options. Lockheed Martin has recently subleased 50,000 square feet within the light industrial, operations building and will receive \$107 million dollars in tax breaks over the next ten years as part of the New Jersey Economic Opportunity Act of 2013. Under the terms of that act, Lockheed Martin will be required to stay in the property for a minimum of 15 years, which as a practical matter means L-3 Communications will have to exercise their first lease option.

The Cooper lease is for a 15-year term for the existing second floor space in its "As Is" condition. Although that lease is unexecuted at this time, Cooper Hospital is in the process of obtaining \$40 million dollars in tax breaks as part of the 2013 Economic Opportunity Act. A copy of the project summary is located in the Addenda section of this report.

The subject property second floor space represents the only good quality large floor plate, over 50K sf, available in the downtown section of the City of Camden. The 2013 Economic Opportunity Act has significantly increased the demand for large space in the City of Camden. A summary of that act is located in the Addenda section of this report.

In estimating the "As Is" market value of the subject property, we have treated the land and building as if owned by a single entity. The land is presently owned by the New Jersey Economic Development Authority, which in turn leases the land to the Camden Center Urban Renewal Limited Partnership who subsequently constructed the improvements. **A copy of that lease was not available for our review.** Those two agencies presently have an agreement of sale in place with Cooper's Ferry Partnership, to sell the property for \$32,670,000.

The property will then be reconveyed from Cooper's Ferry Partnership to L/N CAC, LP in return for them providing a loan to Cooper's Ferry Partnership to purchase the property and an additional payment of \$600,000. That is essentially a one-day mortgage. That agreement is presently unexecuted and waiting for the execution of the aforementioned Cooper Hospital lease, which is waiting for the tax credit approvals as part of the 2013 Economic Opportunity Act. That application is presently pending before the EDA. Therefore, as a practical matter the overall purchase price by L/N CAC, LP is \$33,270,000.

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Camden County, New Jersey

As can be seen in our market value estimate "As Stabilized" significantly exceeds the agreement of sale. That agreement of sale price was reached based upon a 90% of the appraised value of the property with the existing L-3 Communications lease which is \$[REDACTED] annually, but expires in 2018. The subsequent new lease with L-3 Communications and future lease with Cooper will result in an increase in the net income of approximately \$[REDACTED] annually and extend the term until the end of 2024 for L-3 Communications and 2029 for Cooper Hospital. A copy of that lease was requested but not provided and we have relied on the verbal information for the terms of that lease.

The valuation does not include personal property or intangibles.

Having considered the facts and circumstances pertinent to an estimate of market value, it is our opinion the estimated As Is Market Value of the Leased Fee interest of the subject property, contingent upon the General Assumptions and General Limiting Conditions contained within this report, is:

Status	Valuation Date	Market Value
As Is	November 25, 2014	\$54,000,000
As Stabilized	January 1, 2015	\$56,000,000

Market Value is based on an exposure time of six months.

**Extraordinary Assumption:**

**This appraisal report is based on the following Extraordinary Assumptions:**

- 1. Approximately 40% of the building was not inspected since the primary tenant is L-3 Communications is a defense contractor, and for security reasons, access was not provided. We have reviewed the floor plan for the entire property and it has been represented with the fit and finish of those areas are commensurate with the other portions of the building. If subsequent information proves contrary, that might impact on our market value conclusion.**
- 2. The "As Stabilized" market value is based on the execution of a lease by Cooper Hospital, essentially similar to the unexecuted lease provided to us. In that lease, the contract rent for the property will be \$17 per square foot for the first ten years and then will go to the greater of 70% of market rent or not less than**

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**\$9 per square foot for the remaining five-year terms. There are also two, five-year options.**

- 3. The current lease to L-3 Communications on the property was requested but not provided. The new lease will take effect on December 11. The current lease rate was provided and it has been represented that it is on a net basis. If the terms are contrary to the information provided that might impact on our market value conclusion.**
- 4. The underlying land is owned by the Economic Development Authority (EDA) of New Jersey who in turn leases the land to the Camden Center Urban Renewal Partnership. A copy of that lease was requested but not provided. In the "As Is" market value estimate we have treated the property as if it had a unified owner of the land and improvements.**
- 5. The Income and expense history of the property was requested but not provided. The buyer of the property did provide an estimate of future expenses based on their review of the historical expenses. Those expenses appear reasonable, but if subsequent historical information differs it might impact on our market value conclusion.**
- 6. Our "As Stabilized" value reflects the impact of the 2013 Economic Opportunity Act on the City of Camden and in turn current market rents.**

This appraisal report has been prepared for the exclusive use of our client, Susquehanna Bank. This appraisal may not be used or relied upon by anyone else without the express written consent of the client and the appraiser.

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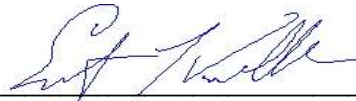
**This letter of transmittal must remain attached to the report, which contains 120 pages plus addenda, in order for the value opinion set forth therein to be considered valid. This letter of transmittal is not a standalone document.**

I trust the above and enclosed prove satisfactory.

Sincerely,



Robert M. Sapio MAI, SCGRE 42RG00022000



Errett L. Vielehr, SCGRE 42RG00106600

4450

## **INTRODUCTION**

### **Summary of Important Conclusions**

<b>Identification of Subject and</b>	A Three-Story Office Building and Light Industrial Building
<b>Property Address:</b>	100 and 200 Market Street Block 73 Lot 1, 73, 76, 142, 143 and 144 Camden City Camden County, New Jersey
<b>Date of Value:</b>	November 25, 2014 As Stabilized Market Value January 1, 2015
<b>Interest Appraised:</b>	Leased Fee
<b>Occupancy:</b>	As Is - L-3 Communications As Stabilized – L-3 Communications and Cooper Hospital
<b>Value Sought:</b>	As Is Market Value As Stabilized Market Value
<b>Owner:</b>	Land - New Jersey Economic Development Authority Improvements - Camden Center Urban Renewal, Limited Partnership
<b>Client:</b>	Susquehanna Bank



Front view of the Administrative and Engineering Building

## **INTRODUCTION**

### **Summary of Important Conclusions**



Front view of the Operations Building

#### **Subject Property:**

The subject property consists of a three-story office building, known as the Administrative and Engineering Building, containing 343,139 square feet and a light industrial building, known as the Operation Building, containing 226,244 square feet, situated on a 21.044 acre site.

The entire property is presently tenant occupied by L-3 Communications. As a result of the new lease, L-3 Communications will occupy the entire property except for the second floor. Cooper Hospital will take occupancy of the second floor under a proposed lease. That lease is unsigned at this time but anticipated to be executed shortly, after receiving tax credit approvals from the EDA.

#### **Land Use Controls:**

CC-Center City

#### **Highest and Best Use:**

**As Vacant and  
Available Land**

Future Commercial Use

**As Improved**

Continued Office and Light Industrial Use



## **INTRODUCTION**

### **Summary of Important Conclusions**

#### **As Stabilized Market Value**

**Income Approach**  
**Value Indication:** \$56,000,000

**Sales Comparison Approach**  
**Value Indication:** \$50,000,000

**Cost Approach**  
**Value Indication:** N/A

**Reconciliation:** The Cost Approach, Sales Comparison Approach and Income Capitalization Approaches have been considered in valuing the subject property.

The subject property is 100% leased as of the "As Stabilized" valuation date and would most likely be purchased by an investor based on the future cash flow. Therefore, primary weight is placed on the Income Approach to value.

The Sales Comparison Approach was primarily developed just as a check to the reasonableness of the Income Approach value conclusion. This is given secondary emphasis.

The two buildings are approximately 20 years old and the Cost Approach to value was not developed due to the difficulty in accurately estimating depreciation and limited land sales in the immediate neighborhood.

**Final Value Estimate:** \$56,000,000

**Exposure Time:** Six months

**Marketing Time:** Six months

**Potential Environmental Hazard:** Obvious environmental hazards were not observed during our site inspection.

## **INTRODUCTION**

### **Summary of Important Conclusions**

#### **As Is Market Value**

**Income Approach**  
**Value Indication:** \$54,000,000

**Sales Comparison Approach**  
**Value Indication:** N/A

**Cost Approach**  
**Value Indication:** N/A

**Reconciliation:** The Cost Approach, Sales Comparison Approach and Income Capitalization Approaches have been considered in valuing the subject property.

To arrive at the As Is market value, we have made a deduction of six months loss of rent and common area expenses to offset the risk that the consummation of the Cooper lease would be delayed. Given the pending application before the EDA, combined with the lack of other floor plate space available within the City of Camden, it is our opinion any buyer of the property would be comfortable that that deal would eventually be consummated and base its purchase on that.

**Final Value Estimate:** \$54,000,000

**Exposure Time:** Six months

**Marketing Time:** Six months

**Potential Environmental Hazard:** Obvious environmental hazards were not apparent

## INTRODUCTION

### Extraordinary Assumption:

This appraisal report is based on the following Extraordinary Assumptions:

1. Approximately 40% of the building was not inspected since the primary tenant is L-3 Communications is a defense contractor, and for security reasons, access was not provided. We have reviewed the floor plan for the entire property and it has been represented with the fit and finish of those areas are commensurate with the other portions of the building. If subsequent information proves contrary, that might impact on our market value conclusion.
2. The "As Stabilized" market value is based on the execution of a lease by Cooper Hospital, essentially similar to the unexecuted lease provided to us. In that lease, the contract rent for the property will be \$17 per square foot for the first ten years and then will go to the greater of 70% of market rent or not less than \$9 per square foot for the remaining five-year terms. There are also two, five-year options.
3. The current lease to L-3 Communications on the property was requested but not provided. The new lease will take effect on December 11. The current lease rate was provided and it has been represented that it is on a net basis. If the terms are contrary to the information provided that might impact on our market value conclusion.
4. The underlying land is owned by the Economic Development Authority (EDA) of New Jersey who in turn leases the land to the Camden Center Urban Renewal Partnership. A copy of that lease was requested but not provided. In the "As Is" market value estimate we have treated the property as if it had a unified owner of the land and improvements.
5. The Income and expense history of the property was requested but not provided. The buyer of the property did provide an estimate of future expenses based on their review of the historical expenses. Those expenses appear reasonable, but if subsequent historical information differs it might impact on our market value conclusion.
6. Our "As Stabilized" value reflects the impact of the 2013 Economic Opportunity Act on the City of Camden and in turn current market rents.

## **INTRODUCTION**

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## Qualifications of the Appraiser

## **PREMISE OF THE APPRAISAL**

### **Purpose and Function of the Appraisal**

The **purpose** of this appraisal is to estimate the As Is and As Stabilized Market Value of the Leased Fee estate of the subject property as of November 25, 2014 and January 1, 2015.

The **function** of the appraisal will be to assist Susquehanna Bank with loan underwriting and/or credit decisions.

There is no other intended use(s) or user(s) of this appraisal report.

### **Date of Value Estimate, Inspection Date and Report Date**

The date of valuation is November 25, 2014, for the As Is market value and January 1, 2015 for the As Stabilized market value estimate.

The subject property was inspected November 7, 2014 at which time portions of the subject neighborhood were driven to determine the general characteristics of the neighborhood and compatibility of the subject property.

The date of preparation of this report is from November 7, 2014 to December 18, 2014.

### **Definition of Market Value**

"As Is" Market Value estimates Market Value of a property in the condition observed upon inspection as it physically and legally existing without hypothetical conditions, assumptions or qualifications as of the date the appraisal is prepared.

Market Value, as used in this report, is the current economic definition set forth in the Federal Register, Vol. 55, No. 165, 12 CFR 34.42, Appraisal Definitions, August 20, 1990, Page 34696 as:

### **PREMISE OF THE APPRAISAL**

"the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:"

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The Market Value reported is in terms of cash or its equivalent.

### **Property Rights Appraised**

#### **Leased Fee Estate**

The leased fee estate is defined in the Dictionary of Real Estate Fourth Edition (2002), published by the Appraisal Institute, as:

"an ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. the rights of the lessor (the leased fee owner) and the lessee as specified by contract terms contained within the lease."

## **PREMISE OF THE APPRAISAL**

### **Definition of Extraordinary Assumption**

The definition of an Extraordinary Assumption is taken from the Dictionary of Real Estate Appraisal, Fourth Edition, published by the Appraisal Institute, 2002.

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.



## **PREMISE OF THE APPRAISAL**

### **Scope of Work**

To estimate the As Is Market Value and As Stabilized Market Value of the Leased Fee interest of the subject property.

Scope of work as defined in this report is taken from USPAP 2014 Edition and consists of:

“The type and extent of research and analyses in an assignment.”

Develop and report the agreed upon various market value estimates, and;

- The degree to which the property is inspected or identified;
- The extent of research in the physical and economic factors that could affect the property;
- The extent of data researched; and
- The type and extent of analysis applied to arrive at opinions and conclusions.

Market and demographic data has been obtained from the following sources, among others.

- 1) United States Department of Commerce  
Bureau of the Census
- 2) State of New Jersey  
Department of Labor,  
Division of Planning Research  
Department of Community Affairs  
Office of Demographic and Economic Analysis
- 3) Burlington, Camden and Gloucester County Board of Realtors' Multiple Listing Services.
- 4) Interviews and survey of a variety of real estate agents, developers, investors and property owners by Robert M. Sapio, MAI, Errett L. Vielehr and/or their associates.

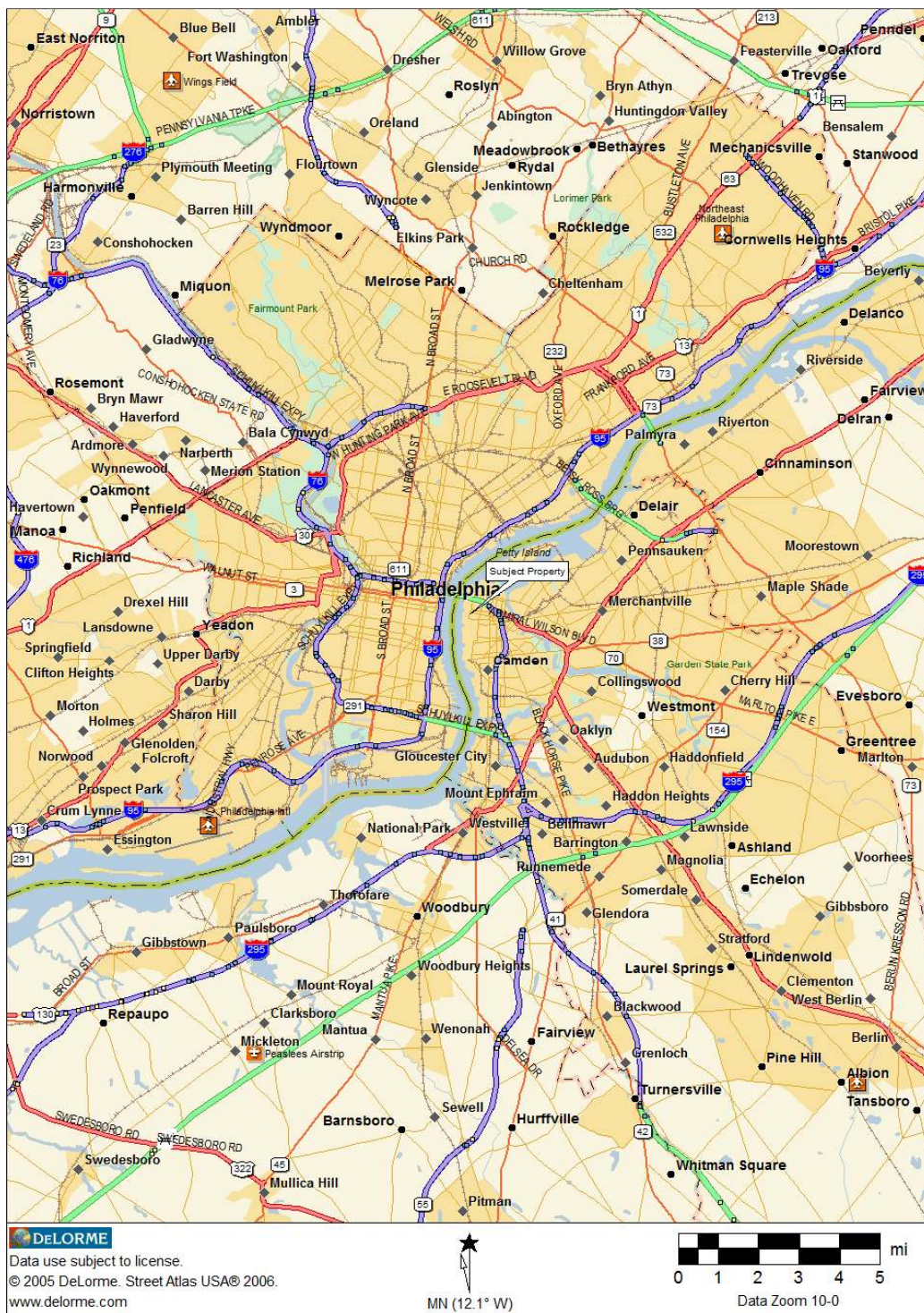
## **PREMISE OF THE APPRAISAL**

### **Scope of Work**

- 5) The subject property's neighborhoods and surrounding municipalities were driven to determine the characteristics of the area and land use development patterns.
- 6) The subject property was physically inspected prior to the valuation.
- 7) Extensive sales research was conducted in Gloucester, Burlington and Camden Counties. Sales research was conducted at the Division of Taxation for each county and at individual municipality assessor's offices.
- 8) Real estate brokers were surveyed regarding the current rental activity for the competitive properties in the City of Camden office market and surrounding Camden County and Burlington County industrial market.
- 9) Subject property building plan and survey were reviewed.
- 10) The proposed lease for Cooper Hospital was reviewed.
- 11) The duly executed lease for L-3 Communications was reviewed.
- 12) The agreement of sale between the NJEDA, Camden County Urban Renewal Partnership and Cooper's Ferry Partnership was reviewed.
- 13) The reconveyance and funding agreement between Cooper's Ferry and L/N CAC, LP was reviewed.
- 14) The New Jersey Economic Development Agency was contacted relative to recent development in the City of Camden as a result of the 2013 Economic Opportunity Act.

## PRESENTATION OF DATA

### Regional Map



## **PRESENTATION OF DATA**

### **Regional Data**

#### **General**

The subject property is located in Camden City, Camden County, New Jersey. This area is part of the Philadelphia Metropolitan Statistical Area (PMSA), the fifth largest urban area in the United States. The region is commonly referred to as the Delaware Valley comprising Burlington, Camden and Gloucester Counties in Southern New Jersey and Philadelphia, Bucks, Montgomery, Chester and Delaware Counties in Eastern Pennsylvania.

The Delaware Valley region consists of 3,833 square miles and had a 2010 population of 5,965,343 people, averaging 1,556 people per square mile.

### **Tri-County**

#### **General**

Camden County is also part of the Tri-County area. Burlington, Camden and Gloucester Counties are known as the Tri-County area. Camden City, Camden County, is separated from Philadelphia by the Delaware River and was the economic center of Southern New Jersey until the end of the 1950's.

Camden County contains 222 square miles of area and is located between Gloucester and Burlington Counties. The northwesterly third of Camden County is urban in character, the middle third suburban and the southeasterly third rural.

Burlington County, the northernmost of the three New Jersey Counties in the metropolitan Philadelphia area is the largest County in the State with 827 square miles of area. The majority of Burlington County's development has taken place in the County's northwesterly end near its border with Camden County and the Delaware River. Mount Laurel and Evesham Townships, Burlington County are next to Cherry Hill's easterly border. Since the early 1980's, Marlton, consisting of southwesterly Mount Laurel and northwesterly Evesham, has emerged as an extension of the Cherry

## PRESENTATION OF DATA

### Tri-County

#### General

Hill business center. The easterly 80% of Burlington County is generally rural in character.

Gloucester County adjoins the southwest boundary of Camden County and covers an area of 328 miles. The northern and eastern sections of Gloucester County (those closest to Camden County) are the most densely populated. Central and southerly Gloucester County, accounting to about 75% of the County's land area, is lightly developed and typically agricultural in nature. Development pressures over the last three years have started to change some of the central and southerly areas to a more suburban character.

#### Population

<u>Tri-County Population Totals &amp; Changes 1960-2010</u>											
	<u>Burlington</u>	<u>Amount</u> <u>Increase</u>	<u>%</u>	<u>Camden</u>	<u>Amount</u>	<u>%</u>	<u>Gloucester</u>	<u>Amount</u>	<u>%</u>	<u>Total</u>	<u>Amount</u> <u>%</u>
1960	224,499			392,035			134,840			751,374	
1970	323,132	98,633	43.9	456,291	64,256	16.4	172,681	37,841	28.1	952,104	200,730 26.7
1980	362,542	39,410	12.2	471,650	15,359	3.37	199,913	27,232	15.8	1,034,105	82,001 8.61
1990	395,066	32,524	8.97	502,824	31,174	6.61	230,082	30,159	15.1	1,127,972	93,867 9.08
2000	423,394	28,528	7.17	508,932	6,108	1.21	254,673	24,591	9.66	1,186,999	59,027 5.23
2010	448,734	25,340	5.98	513,657	4,725	0.93	288,288	33,615	13.20	1,250,679	63,680 5.36

The percentage of population change by decade dropped to single digit overall increases by the year 2000. The last full decade ending in 2010 shows a percentage increase of 5.98% and roughly 13.2% respectively for Burlington and Gloucester Counties respectively, while only .93% for Camden County. The outlook for future growth is upward, however, at rates closer to the past decade than the previous decades.

## PRESENTATION OF DATA

### Tri-County

#### Population

<u>2010 Population Density</u>			
	<u>County</u>	<u>Size</u> <u>(Sq. Miles)</u>	<u>Per Sq. Mile</u>
1)	Burlington County	827	543
2)	Camden County	222	2,314
3)	Gloucester County	328	879
4)	New Jersey	7,417	1,196

Camden County is the smallest county of the three in overall land area, and has the highest population density per square mile. Most of Burlington and Gloucester Counties are more rural than Camden County and have significantly lower population densities per square mile.

## PRESENTATION OF DATA

### Tri-County

#### Population

The following is a chart prepared by the New Jersey Department of Labor and Workforce displaying projections of total population from 2010 to 2025 for all counties in New Jersey.

<b>Projections of Total Population by County</b>						
County	Census on April 1,		Projections to July 1,			
	1990	2000	2010	2016	2020	2025
New Jersey	7,730,188	8,414,350	8,791,894	9,065,100	9,287,000	9,554,300
Atlantic	224,327	252,552	274,549	288,400	298,100	309,000
Bergen	825,380	884,118	905,116	910,800	922,800	936,400
Burlington	395,066	423,394	448,734	474,100	489,500	507,200
Camden	502,824	508,932	513,657	529,600	538,800	548,600
Cape May	95,089	102,326	97,265	98,900	100,100	101,400
Cumberland	138,053	146,438	156,898	162,100	166,800	172,300
Essex	777,964	793,633	783,969	788,200	794,000	800,300
Gloucester	230,082	254,673	288,288	313,600	330,500	352,300
Hudson	553,099	608,975	634,266	607,900	613,200	618,100
Hunterdon	107,802	121,989	128,349	140,600	146,300	154,400
Mercer	325,824	350,761	366,513	383,300	393,900	405,200
Middlesex	671,811	750,162	809,858	828,300	851,900	877,900
Monmouth	553,093	615,301	630,380	676,000	694,000	714,400
Morris	421,361	470,212	492,276	511,300	524,900	540,300
Ocean	433,203	510,916	576,567	622,900	654,100	696,100
Passaic	453,302	489,049	501,226	500,000	506,800	514,600
Salem	65,294	64,285	66,083	67,900	69,100	70,500
Somerset	240,245	297,490	323,444	350,400	365,900	389,300
Sussex	130,943	144,166	149,265	160,300	166,100	172,900
Union	493,819	522,541	536,499	533,000	537,600	543,900
Warren	91,607	102,437	108,692	117,500	122,700	129,300
Source: New Jersey Department of Labor & Workforce, May 2006./RMS,LLC						
Note: Numbers may not add due to rol						

The Tri-County area thru Year 2025 from 2010 is anticipating Burlington County growth of 13%, Camden County at 6.8%, and Gloucester County at 22.2%. The growth rate for the entire state, over the same time period, is about 8.67%. Thus, Camden

## **PRESENTATION OF DATA**

### **Tri-County**

#### **Population**

County is the only county of the three projected to grow at a slower rate than the state as a whole.

#### **Housing**

Shown next are annual statistics for average sold prices of single family housing, per capital income, and unemployment rates for the Tri-County area.



## PRESENTATION OF DATA

### Tri-County

### Housing

<u>Tri-County Market Demographics</u>				
<u>Item</u>	<u>New Jersey</u>	<u>Burlington County</u>	<u>Camden County</u>	<u>Gloucester County</u>
<u>Avg. Exist. Single Family-Sold Price</u>				
2005 MLS		\$271,079	\$203,557	\$222,925
2006 MLS		\$284,486	\$213,671	\$240,986
2007 MLS		\$282,188	\$217,881	\$246,169
2008 MLS		\$268,325	\$209,365	\$236,282
2009 MLS		\$246,311	\$196,895	\$217,000
2010 MLS		\$253,042	\$196,002	\$212,818
2011 MLS		\$241,472	\$193,884	\$202,582
2012 MLS		\$241,382	\$191,781	\$202,575
2013 MLS		\$243,275	\$193,545	\$200,159
2014 (thru Aug) MLS		\$243,579	\$194,813	\$208,080
<u>Per Capita Income</u>				
Per Capita Income 1999	\$27,006	\$26,339	\$22,354	\$22,708
Per Capita Income 2008-2012	\$35,928	\$36,590	\$30,652	\$32,459
<u>Unemployment (Annual Average)</u>				
2003	5.8%	4.9%	6.2%	5.8%
2004	4.9%	4.3%	5.6%	5.2%
2005	4.2%	3.6%	4.5%	4.1%
2006	4.6%	4.1%	5.1%	4.7%
2007	4.2%	3.6%	4.5%	4.1%
2008	7.1%	6.1%	7.4%	6.8%
2009	9.2%	8.5%	10.0%	9.4%
2010	9.5%	9.0%	10.6%	10.0%
2011	9.3%	8.9%	10.6%	9.8%
2012	9.6%	9.1%	10.5%	9.9%
2013	6.7%	6.5%	7.4%	6.9%
2014 (July)	6.0%	7.1%	8.0%	7.4%

Camden County has had the lowest average sold prices, lowest per capita income, and highest unemployment rates in the Tri-County area.

## **PRESENTATION OF DATA**

### **Camden City**

#### **General**

The City of Camden is situated on the easterly side of the Delaware River across from the City of Philadelphia. The City is easily accessed from Interstate Route 676 providing access to Interstate 295, U.S. Route 130 and U.S. Route 30. The New Jersey Turnpike is accessible from Interstate 295, and the Atlantic City Expressway and Garden State Parkway are accessible via Route 42. The Camden area is linked to Philadelphia via the Benjamin Franklin, Walt Whitman and the Betsy Ross Bridges.

The City of Camden is also the County Seat of Camden County. The City is bordered on the west by the Delaware River and to the south, east and north by Gloucester City, Woodlynne, Collingswood and Pennsauken. The city contains a total of 9.8 square miles and had a population of 77,349 in 2010. It's 2000 population was 79,318, a decrease of 1,974, or about -2.5%. In 1990 the population was 87,492.

The four year per capita income for the City of Camden from 2008 to 2012 was \$12,869. The median family income was \$29,248. Both the per capita and median family incomes for Camden City ranked well below the County average of \$30,652. per capita and \$77,456. for median family income for the same time period. The United States Census Bureau released data that Camden City's poverty rate was the highest in the nation at 45% in 2009.

The average residential sale price for the City of Camden in 2013 was \$45,051. for a single-family dwelling. The average residential sale price for all of Camden County over the same period is significantly higher at \$190,718.

The City of Camden has a mayor-council form of government comprised seven council members.

## **PRESENTATION OF DATA**

### **Camden City**

#### **General**

Camden City is part of New Jersey's Fifth Legislative District and in the First Congressional District. A seven member Board of Chosen Freeholders governs Camden County. Jon Corzine is the Governor of the state of New Jersey.

There is a full time fire department which boasts its position as being the first fully paid fire department in the nation and in 2008 employs 244 people.

The City of Camden recently switched from a city based police force to a county based police force. There is also a cooperative security and police force, which has been formed by GE, Rutgers University and the City Police Department which patrols the downtown area.

Camden City was developed on an industrial base. The City was known for years as a large industrial employer. The current major employers within the City are the Martin/Lockheed Corporation, Campbell Soup Company, the federal, state and local governments, Cooper Hospital and the University of Medicine and Dentistry and Rutgers, the State University.

The City is attempting to reverse the negative ambiance which has been attached to the City for the last three to four decades. Various revitalization programs have been proposed and recently completed for the City of Camden.

The City of Camden Redevelopment Agency is primarily focusing on residential projects. There are a number of projects including the Broadway townhouses, Williams Row, Rosedale East Preservation Program, Gateway North redevelopment project, Nichol Commons, Cooper Plaza Historic District, Arthur's Court and the Lanning West project.

## **PRESENTATION OF DATA**

### **Camden City**

#### **General**

The above projects planned, under construction and completed have taken a major step toward reversing the negative ambiance of the downtown portion of the City of Camden.

The efforts to revitalize the City of Camden include the creation of an enterprise zone which provides tax benefits to businesses within the enterprise zone. Approximately 50% of the City is located within this enterprise zone. Benefits from this zone range from awards for hiring new employees to reduced tax rates. These exemptions include 100% sales tax exemption for purchases of tangible personal property, except for motor vehicles, used in the business zone including office equipment, trade fixtures and store furnishings. There is a 50% sales tax exemption for retail sales. There also are exemptions for the net worth tax and new employee credits. Credits for new employees range from a \$500 credit for hiring a City resident not employed in the City prior to being hired to a \$1,500 credit for hiring a City resident who was unemployed or on public assistance for 90 days prior to the employment.

The State of New Jersey Department of Community Affairs Division of Housing and Development also has several incentive housing programs in the City. These include a balanced housing program and the New Jersey Multi-Family Production Partnership. Both programs are designed to re-establish and rehabilitate owner-occupied one- to four-family residences and provide housing for low and moderate income families.

In addition to the residential programs, there are several municipal, state and federal programs in place designed to rebuild the City. These include, at the municipal level, the Cooperative Business Assistance Corporation, which provides technical assistance and financing opportunities to qualified small businesses. The Camden Economic Development Corporation is designed to provide financing to local enterprises.

## **PRESENTATION OF DATA**

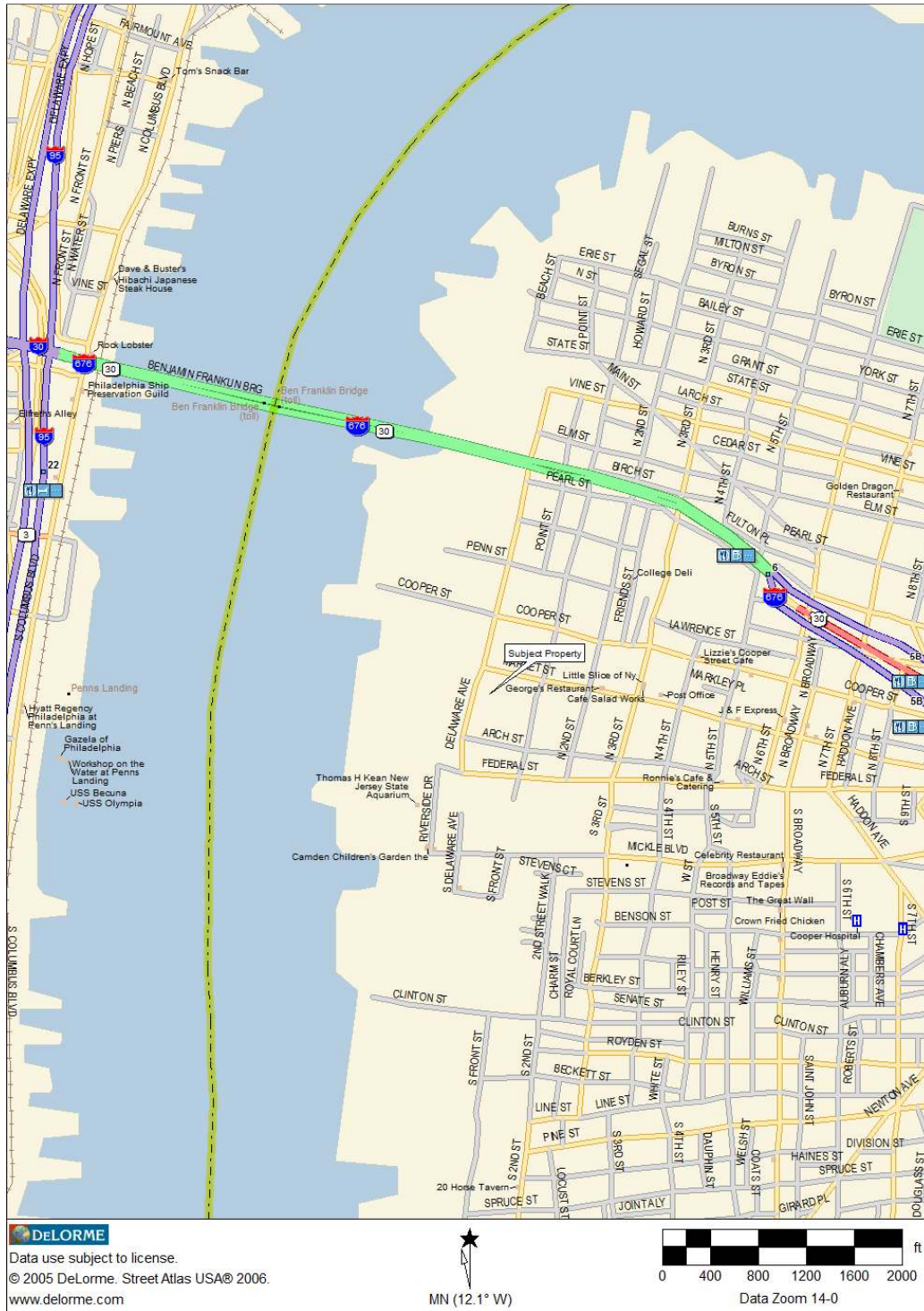
### **Camden City**

#### **General**

The State of New Jersey has a local development financing fund providing long-term low interest loans to eligible commercial and industrial projects in the City. The State also maintains programs for recycling, technical and financial assistance for manufacturers impacted by imports, an urban industrial park program, industrial development bonds, loan guarantees, direct loans and urban small loan programs. These programs are all designed to provide affordable financing to new and continuing businesses within the City. The federal programs include the Urban Development Action Grants and the Long Term Fixed Asset Financing 504 Program. Both programs also are designed to assist in the rehabilitation of properties and continuing expansion of business within the City of Camden.

## PRESENTATION OF DATA

### Neighborhood Location Map



## **PRESENTATION OF DATA**

### **Commercial, Residential, Industrial Market Analysis**

#### **Subject Neighborhood**

##### **General**

The subject property is part of the Camden Riverfront, which is located just south of the Ben Franklin Bridge and has been the focus of much of the public/private development over the last several years.

This area has seen a tremendous amount of development over the last 20 years, which as a practical matter has differentiated it from the other parts of the City of Camden.

The subject property is known as the Camden Aerospace Center that was developed in 1992, creating approximately 1,000 high tech jobs. At that time, the \$80 Million center consisted of 350,000 square feet of office space and 225,000 square feet of manufacturing space was funded by a combination of public and private investment, is occupied by a company called L-3 Communications, a descendant of RCA that makes secure communications equipment for the military.

The Riversharks Baseball Stadium is located adjacent the Ben Franklin Bridge along Delaware Avenue between the extension of Pearl Street and Penn Street. The property is situated approximately 300' east of the Delaware River. The following is a list of recent public/private development along the waterfront.

Just to the south of the subject property is an 11-story office tower constructed by the Delaware River Port Authority at a cost of \$30 million. Currently, the building is almost full with the DRPA using approximately half of the building and the remainder occupied by public and private tenants, including the State of New Jersey and the Chamber of Commerce of Southern New Jersey.

Directly to the east, or the subject property across Delaware Avenue, is the Adventure Aquarium (formerly the New Jersey State Aquarium), which was

## **PRESENTATION OF DATA**

### **Subject Neighborhood**

#### **General**

completed in 1992 at a cost of \$52 Million, and subsequently an additional \$15 Million in capital improvements have been made to the property. Annual attendance at the aquarium was approximately 500,000 visitors per year. The aquarium includes a parking garage and also has a ferry directly in front that provides senior transportation across the Delaware to Penns Landing from Philadelphia. In 2004 the State of New Jersey entered into a deal with Steiner & Associates to privatize the aquarium. Steiner & Associates closed the facility on September 7, 2004 for a \$42 million renovation and expansion of the aquarium facility. The facility was reopened in May, 2005 and renamed Adventure Aquarium.

Adjacent to the east of the subject property is the Ferry Terminal Building which was built in 2007 and consists of a new 100,000 square foot four-story Class A office building was opened between the Tweeter Center, and the Campbells Field baseball stadium. The lead tenant Susquehanna Bank has occupies the entire fourth floor of 25,000 square feet.

The waterfront area of Camden has also seen residential development. Just to the north of the subject property, across Market Street, the former RCA Victor manufacturing facility was converted into the "Victor Lofts", 341 luxury apartment units.

Lastly, several light rail stations have been constructed in close proximity to the waterfront area will further facilitate ingress and egress to the area. The light rail line connects Camden with Trenton and has about 20 stations along the route.

In addition to all of the above, there is significant pending development for the waterfront area as a result of the 2013 Economic Opportunity Act. As a result of that act, the Philadelphia 76ers will construct a 120,000 state of the art facility and team headquarters to the south of the subject property, just off Delaware Avenue and receive a ten-year, \$82 million dollars in tax credits.



## **PRESENTATION OF DATA**

### **Subject Neighborhood**

#### **General**

Further to the south of that, the South Jersey Port Facility will be utilized as the headquarters for Whole Tech which will make nuclear reactor parts and in turn receive \$260 million dollars in tax breaks over a ten-year period.

Lastly, specifically at the subject property, Lockheed Martin is to take 50,000 square feet of space within the operating building and intends to invest \$146.4 million dollars and in turn receive \$107 million dollars in tax breaks over the next ten years.

In summary, the subject property's neighborhood reflects the tremendous public/private investment over the last 20 years. This has essentially allowed this portion of the City to differentiate itself from the remainder of the City of Camden. There are several major office buildings, including the subject property complex and large entertainment facilities including an aquarium, minor league baseball stadium, and open air entertainment venue. This location along the waterfront also affords easy access and skyline view of the City of Philadelphia across the Delaware River. The Economic Opportunity Act of 2013 is also facilitating other major development in this area.

## PRESENTATION OF DATA

### History of the Subject Property

The entire property is presently tenant occupied by L-3 Communications. As a result of the new lease, L-3 Communications will occupy the entire property except for the second floor. Cooper Hospital will take occupancy of the second floor under a proposed lease. That lease is unsigned at this time but anticipated to be executed shortly. Further details of that lease are contained in the Income Approach section of this report.

In estimating the "As Is" market value of the subject property, we have treated the land and building as if owned by a single entity. The land is presently owned by the New Jersey Economic Development Authority, which in turn leases the land to the Camden Center Urban Renewal Limited Partnership who subsequently constructed the improvements. **A copy of that lease was not available for our review.** Those two agencies presently have an agreement of sale in place with Cooper's Ferry Partnership, to sell the property for \$32,670,000.

The property will then be reconveyed from Cooper's Ferry Partnership to L/N CAC, LP in return for them providing a loan to Cooper's Ferry Partnership to purchase the property and an additional payment of \$600,000. That is essentially a one-day mortgage. That agreement is presently unexecuted and the waiting final execution of the aforementioned Cooper Hospital lease. Therefore, as a practical matter the overall purchase price by L/N CAC, LP is \$33,270,000.



## **PRESENTATION OF DATA**

### **Site Description**

The following is a description of the subject site which essentially represents a consolidation of three city blocks bounded by Delaware Avenue, Market, Federal and Third Street.

<u>Size:</u>	21.044 acres
<u>Dimensions:</u>	Southerly (front) property line – 1,230.20' along Federal Street.  Westerly (side) property line – 611.44' along Third Street.  Northerly (rear) property line – 1,189.36' along Market Street.  Easterly (side) property line – 845.16' along Delaware Avenue.
<u>Topography:</u>	Generally level throughout the site
<u>Drainage:</u>	Appears adequate, there is off-site street drainage typical to urban settings
<u>Ingress/Egress:</u>	There are two points of ingress/egress along Federal Street and one point of ingress/egress along Market Street
<u>Parking Lot:</u>	Macadam surface lot
<u>Parking Spaces:</u>	1,282 parking spaces - the overall parking ratio to building area is 2.25 spaces per 1,000 SF of building area. This is lower than typical requirements but not atypical for an urban setting. There is additional parking across the street and a public parking garage across Federal Street.
<u>Curbs:</u>	Concrete
<u>Sidewalk:</u>	Concrete along all of the roadway frontages
<u>Lighting:</u>	There are high pressure sodium lights mounted to steel poles in the parking lot.
<u>Easements:</u>	None were specifically noted on the survey, but

## **PRESENTATION OF DATA**

typically there may be public utility easements in urban settings.

Other:

Typical to an urban setting, there is minimal landscaping around the perimeter of the building and along the perimeter sidewalk area.

Building Area SF to  
Acreage Ratio:

27,057 SF

Flood Hazard:

Based on a review of the Flood Insurance Rate Map for the City of Camden, Camden County, New Jersey, Community Panel No. 340128 0003, dated December 1, 1981, the subject property is located within the Zone C, a non-flood hazard area.

Site Utility:

Good for an urban location.

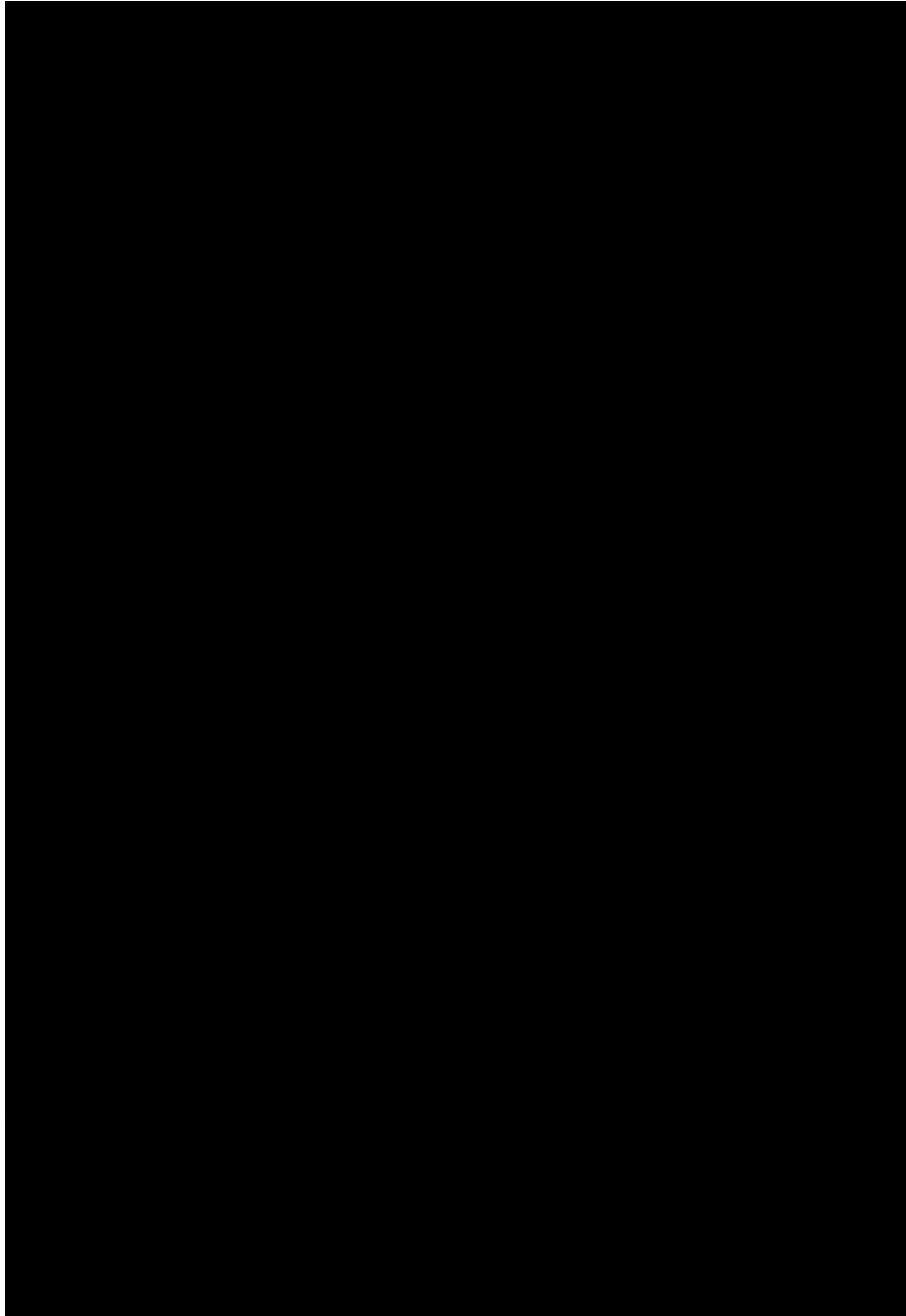
Environmental Conditions:

No obvious environmental hazards were observed.

**PRESENTATION OF DATA**

**Improvements – Three-Story Office Building – Administrative and Engineering Building**

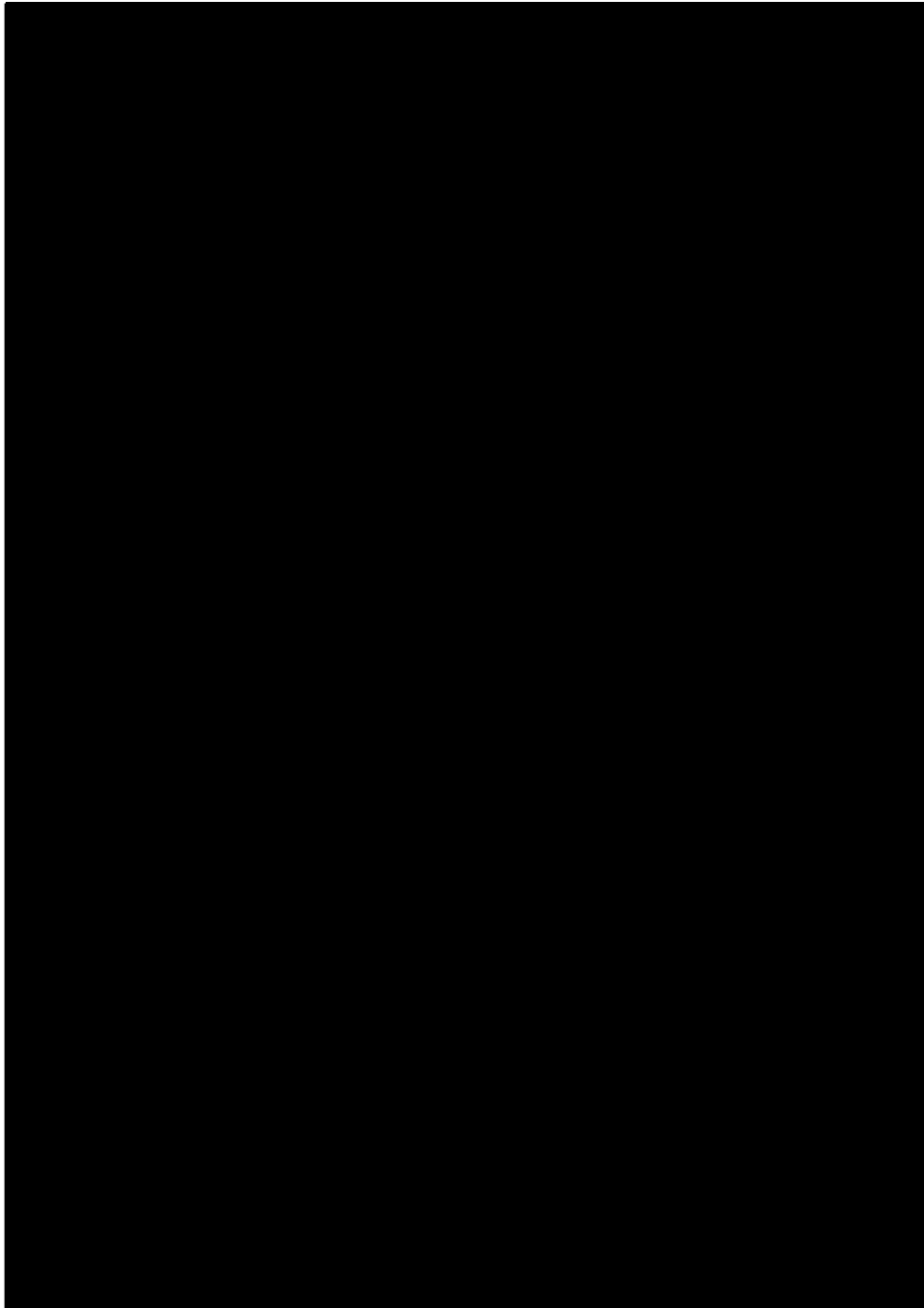
**Floor Plan - First Floor**



**PRESENTATION OF DATA**

**Improvements – Three-Story Office Building – Administrative and Engineering Building**

**Floor Plan - Second Floor**

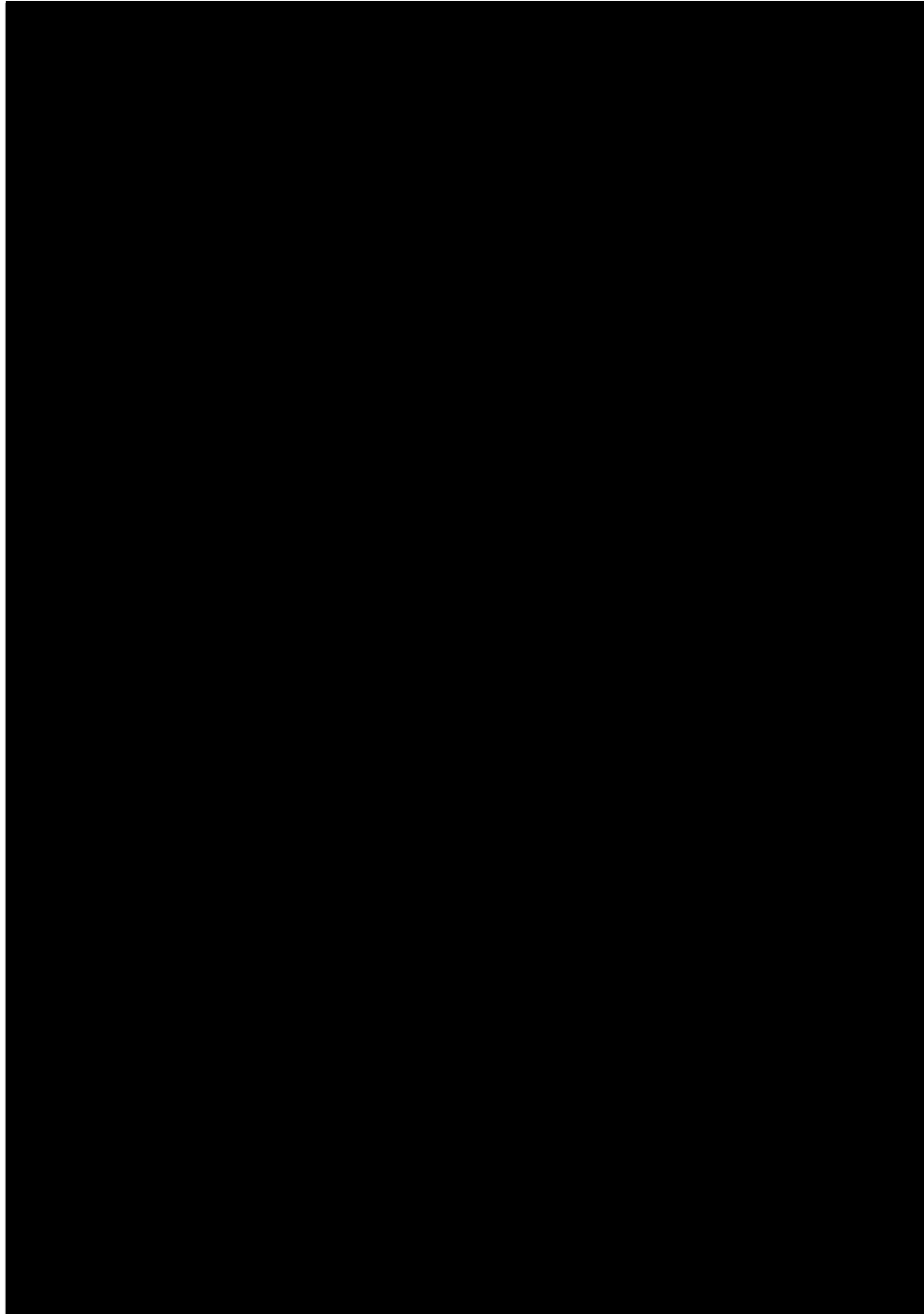


## **PRESENTATION OF DATA**

### **Improvements – Three-Story Office Building – Administrative and Engineering Building**

#### **Floor Plan - Third Floor**

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## **PRESENTATION OF DATA**

### **Improvements – Three-Story Office Building – Administrative and Engineering Building**



Front view of the Administrative and Engineering Building



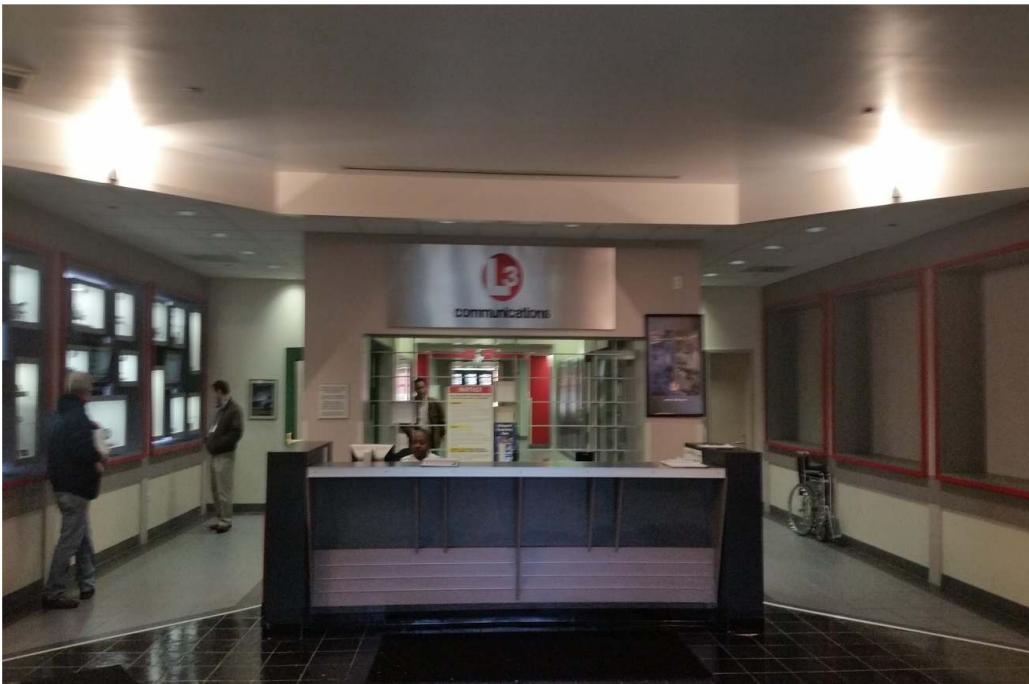
Rear view of the Administrative and Engineering Building

## PRESENTATION OF DATA

### Improvements – Three-Story Office Building – Administrative and Engineering Building



Interior of cafeteria area

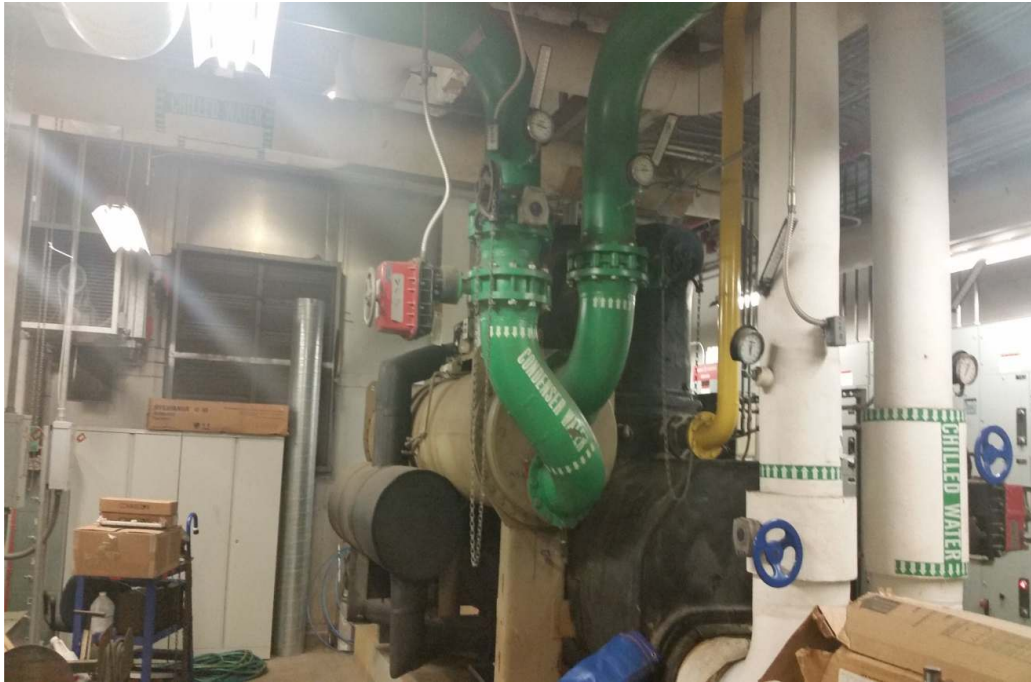


Interior of lobby area



## PRESENTATION OF DATA

### Improvements – Three-Story Office Building – Administrative and Engineering Building



Third floor mechanical room



Third floor boardroom

## **PRESENTATION OF DATA**

### **Improvements – Three-Story Office Building – Administrative and Engineering Building**



Typical interior hallway



Typical second floor office bullpen space

### **Description of Improvements**

## **PRESENTATION OF DATA**

### **Improvements – Three-Story Office Building – Administrative and Engineering Building**

The following is a description of the three-story office building known as the Administrative and Engineering Building and used by L-3 Communications on the first and third floor. The second floor is presently vacant and is intended to be occupied in the future by Cooper Hospital, which has an outstanding unexecuted lease at this time.

<u>Number of Buildings:</u>	One
<u>Story Height:</u>	Three
<u>Occupancy:</u>	Presently the first and third floor are occupied by L-3 Communications with the second floor awaiting occupancy by Cooper Hospital
<u>Gross Building SF:</u>	343,139 SF
<u>Rentable SF:</u>	343,139 SF
<u>Usable SF:</u>	343,139 SF
<u>Use:</u>	Two-tenant office use
<u>Year Built:</u>	1993
<u>Footings:</u>	Poured concrete
<u>Foundation:</u>	Poured concrete
<u>Framing:</u>	Steel frame supporting corrugated steel decking with poured concrete.
<u>Elevation:</u>	Jumbo brick exterior with thermopane windows set in anodized aluminum frames
<u>Roof:</u>	Single ply rubber membrane roof over rigid insulation on a corrugated steel metal deck pan supported by metal trusses. There is a stone aggregate surface over the membrane roof.
<u>Exterior Doors:</u>	Tinted thermo-pane set in anodized aluminum frame
<u>Exterior Windows:</u>	Tinted thermo-pane set in anodized aluminum frame

## **PRESENTATION OF DATA**

### **Improvements – Three-Story Office Building – Administrative and Engineering Building**

#### **Interior Finish:**

The interior flooring varies from commercial office grade wall-to-wall carpet, vinyl composition tile and ceramic tile flooring throughout the building.

Walls typically consist of wallpapered or painted drywall. The typical ceiling consists of acoustic tile ceiling with recessed fluorescent lighting.

The interior finish varies depending on the area of the building. The executive offices typically have a higher level of finish.

There are portions of the space that have a laboratory finish but they were not defense contractor nature of the tenant.

#### **Bathroom Facilities:**

There are several sets of men's and ladies room facilities on each floor as shown on the individual floor plans.

#### **HVAC:**

The HVAC system consists of chilled water with three 700 ton chillers forced over air coolers. The heat is provided by an electric resistance system with air forced over those coils.

#### **Electrical:**

The building has a 13.2 KV line entering the building transformed to 480V 2,000 amps four-wire system distributed through breaker boxes throughout the building.

#### **Stairwells:**

There are five sets of stairwells with one located in the center and two sets in either wing. These are interior stairwells of steel construction with poured concrete steps.

#### **Elevator:**

There are four centrally located elevators, each with a 3,500 lb. capacity. There is an additional freight elevator with a 9,000 lb. capacity.

#### **Loading Facilities:**

Two sets of tailgates loading dock doors, each 10x8'

#### **Interior Ceiling Height:**

Typically 9'-10' below an acoustic tile ceiling, although in the executive offices is primarily painted drywall.

## **PRESENTATION OF DATA**

### **Improvements – Three-Story Office Building – Administrative and Engineering Building**

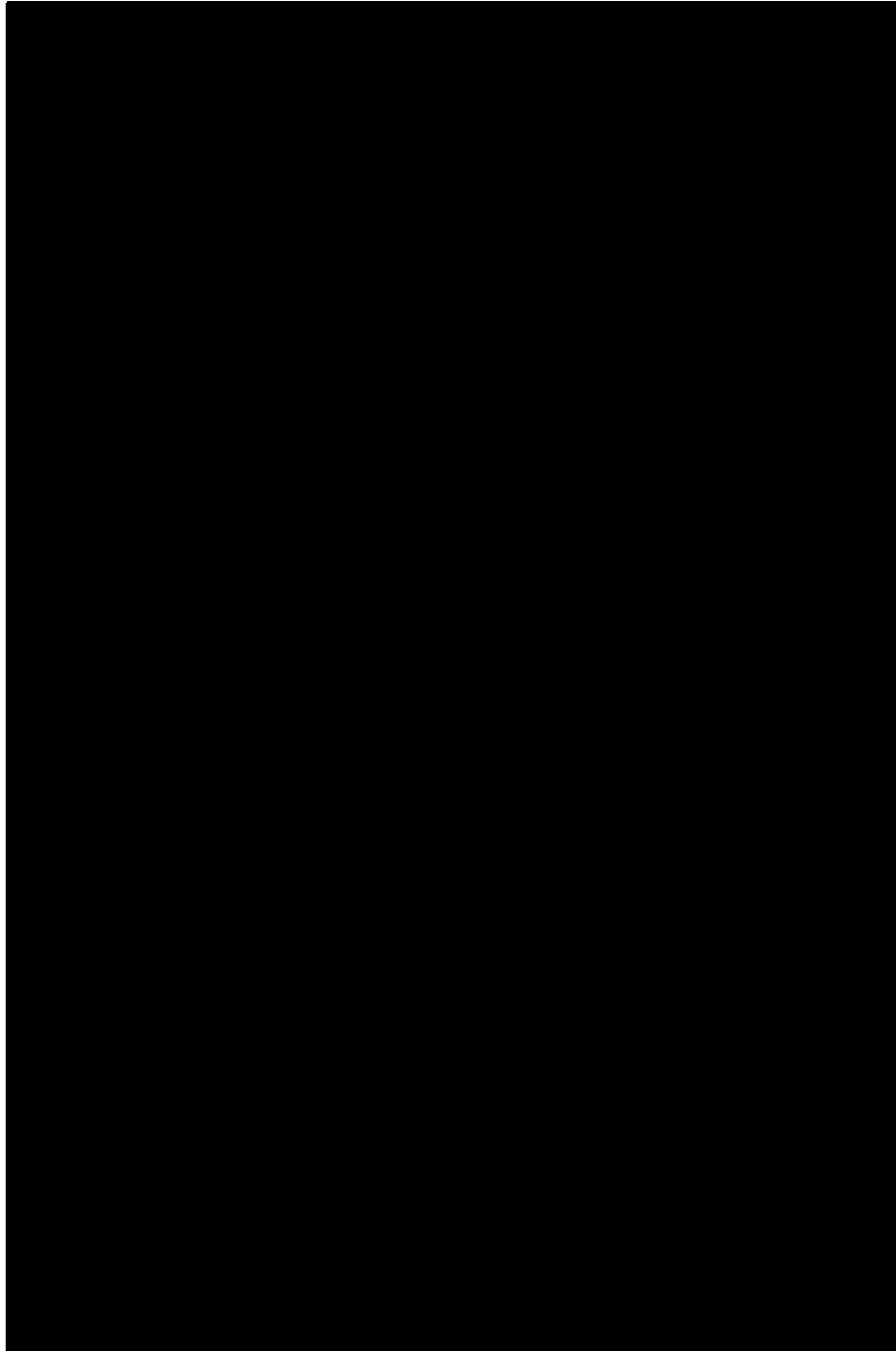
<u>Lighting:</u>	Recessed fluorescent lighting primarily throughout. The exception to this is the executive areas with recessed high hat lighting.
<u>Sprinkler Systems:</u>	Yes
<u>Security System:</u>	Yes
<u>Interior Layout:</u>	<p>The building is designed with a central core with a main lobby area and then large office wings to either side. Common areas that will also be used by the second floor tenant on the first floor include a cafeteria, kitchen, auditorium and fitness center. In addition to those areas on the first floor, there are several conference rooms, numerous private offices, general bullpen office areas and ISS secure computer room, and laboratory areas. Individual laboratory areas were not inspected due to security concerns.</p> <p>The second floor area is presently vacant and consists primarily of bullpen office space that will be refit for the new tenant. Additionally, there are some former laboratory areas and private perimeter offices.</p> <p>The floor area again includes significant laboratory areas, bullpen office areas, the mechanical room containing the HVAC equipment and electrical distribution network, and the executive administrative offices.</p>
<u>Construction Quality:</u>	Good
<u>Condition:</u>	Good for the first and third floor, the second floor is considered to be in average condition.
<u>Property Utility:</u>	The overall utility of the property is considered good for its current office and laboratory uses.

## **PRESENTATION OF DATA**

### **Improvements – Light Industrial Building – Operations Center**

#### **Light Industrial Building Floor Plan**

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## PRESENTATION OF DATA

### Improvements – Light Industrial Building – Operations Center



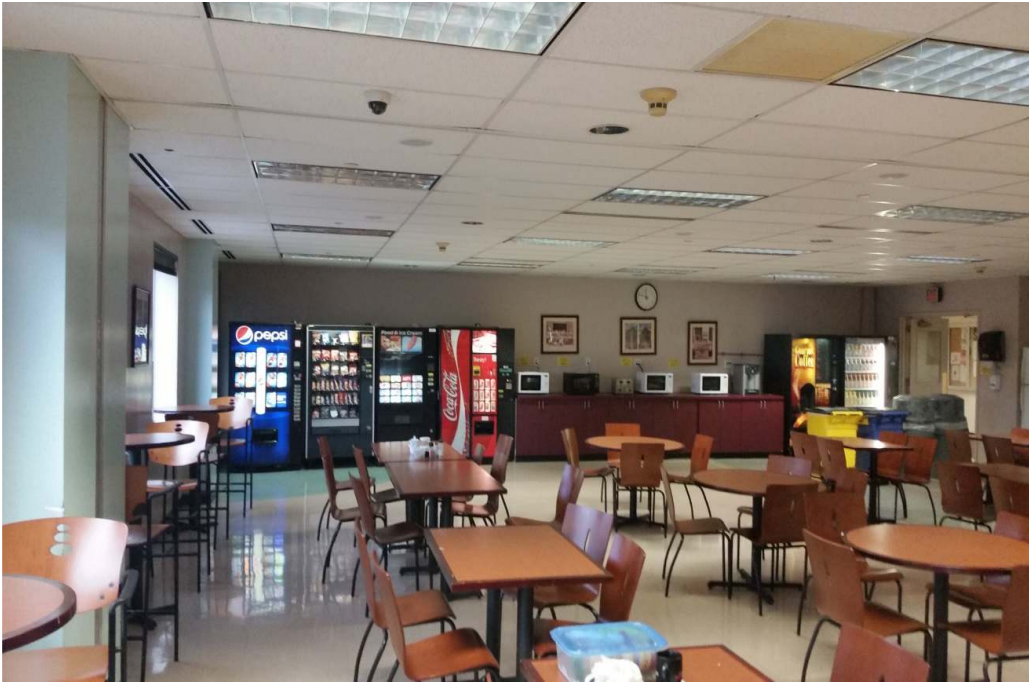
Front view of the Operations Building



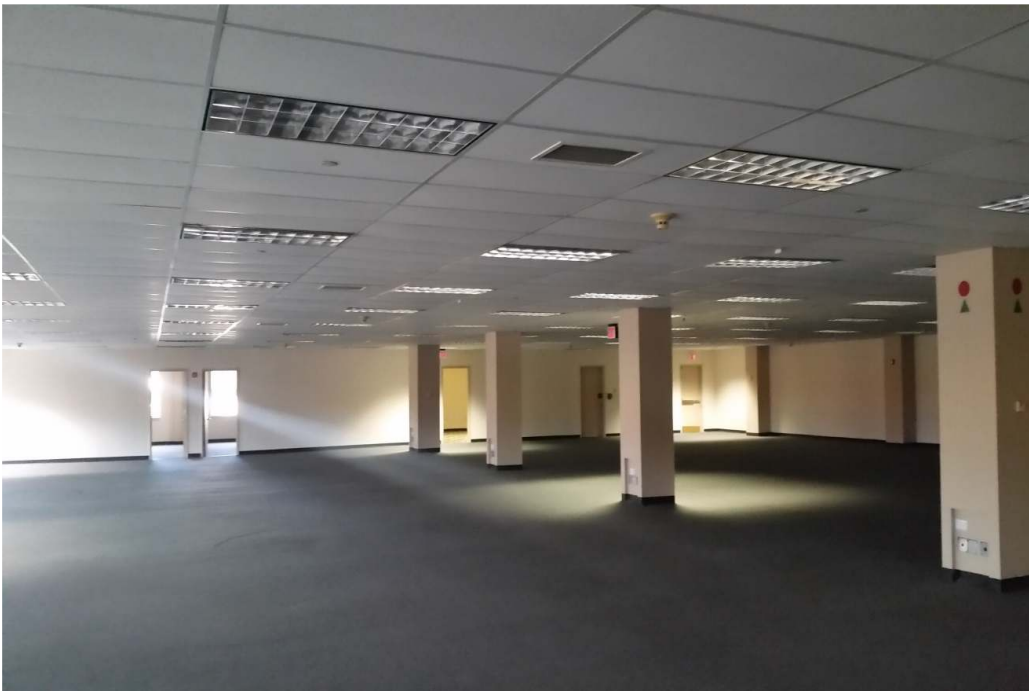
Rear view of the Operations Building

## PRESENTATION OF DATA

### Improvements – Light Industrial Building – Operations Center



Interior of cafeteria



Interior of second floor space

## **PRESENTATION OF DATA**

### **Improvements – Light Industrial Building – Operations Center**

#### **Description of Improvements**

<u>Number of Buildings:</u>	One
<u>Story Height:</u>	Two-story, for approximately 30,000 square feet which has second floor office space
<u>Occupancy:</u>	Presently entirely occupied by L-3 Communications. Lockheed Martin will be taking occupancy of 50,000 square feet of the building and making a substantial investment in the refit for their use.
<u>Gross Building SF:</u>	226,244 SF
<u>Rentable SF:</u>	226,244 SF
<u>Usable SF:</u>	226,244 SF
<u>Use:</u>	The Operations Building consists of a mixture of uses including office, laboratory, light manufacturing and storage. The light manufacturing and the storage component represents approximately 50% of the overall building area.
<u>Year Built:</u>	1992
<u>Footings:</u>	Poured concrete
<u>Foundation:</u>	Poured concrete
<u>Framing:</u>	Steel frame with a split face concrete block exterior
<u>Elevation:</u>	Split face concrete block
<u>Roof:</u>	Single ply rubber membrane roof over rigid insulation on a corrugated steel metal deck pan supported by metal trusses.
<u>Exterior Doors:</u>	Tinted thermo-pane set in anodized aluminum frame
<u>Exterior Windows:</u>	Tinted thermo-pane set in anodized aluminum frame
<u>Interior Finish:</u>	The interior finish varies depending on the area. Typical interior finish in the office area consists of

## **PRESENTATION OF DATA**

### **Site Description**

commercial grade carpeting, painted or papered drywall walls and acoustic tile ceiling.

The laboratory space, which only had a limited inspection, consists of vinyl composition tile, painted drywall and acoustic tile ceiling with recessed florescent lighting.

There are several additional high tech areas which were not inspected due to security concerns. These include a systems testing area, space station room, and environmental laboratory.

### **Bathroom Facilities:**

There are adequate men's and ladies room facilities on each level and shown on the previous floor plan.

### **HVAC:**

The HVAC system has 29 roof top package units in an 80KW life safety generator.

### **Electrical:**

The building is serviced by a 13.2KV line that transforms it to 480V four-wire 1,600 amp system.

### **Special Purpose Mechanicals:**

The laboratory facilities have several special services including nitrogen and compressed air lines and processed water.

### **Stairwells:**

Two to the second floor office space

### **Elevator:**

One 3,500 lb. capacity

### **Loading Facilities:**

Four 8'x10' tailgate loading dock doors and one 12'x10' drive-in door

### **Interior Ceiling Height:**

9'-10' clear in the general office area. The light manufacturing and storage areas has a 24' clear ceiling height.

### **Lighting:**

Typically recessed fluorescent lighting throughout the office and laboratory areas. Metal halogen lighting for the light manufacturing and warehouse area.

### **Sprinkler Systems:**

Yes

### **Security System:**

Yes

## **PRESENTATION OF DATA**

### **Site Description**

#### **Interior Layout:**

The main entry to the Operations Building is through an initial lobby area which has a security desk.

The first floor office area is divided into a cafeteria area, general office space and boardroom areas. There is also laboratory space consisting of a space station room, systems testing area, and environmental laboratory space. The main manufacturing and storage area is generally wide open with concrete floor, perimeter painted drywall walls and an open ceiling to the undercarriage of the corrugated steel decks supported by a steel truss roof system.

#### **Construction Quality:**

Good

#### **Condition:**

Good

#### **Property Utility:**

The property's overall utility for its mixed use is considered to be good.

## **PRESENTATION OF DATA**

### **Land Use Controls**

#### **Zoning**

The subject property is located in the CC-Center City Zone District. The zone district permits a wide variety of uses including single family detached dwellings, semi-detached dwellings, duplexes, townhouses, multi-family residential, retail stores, personal services, medical offices, professional and private offices, financial institutions, restaurants, shopping centers, hotels, motels, railroad passenger stations, theaters and museums, visitor information centers and parks and playgrounds.

Under the zoning ordinance, there is no specific yard and area requirements except with respect to residential uses.

Based on the above, the subject property's office use is considered to be legal and conforming. The light industrial use of the existing operations building, although not specifically provided by the zoning ordinance, was reported to be a legal use by the zoning office.

**A legal opinion should be sought by the user(s) of this appraisal report, to confirm the appraiser's conclusion as to use and zoning compliance.**

## **PRESENTATION OF DATA**

### **Real Estate Assessment and Taxes**

The subject is identified as Block 73, Lot 1, 73, 76, 142, 143 and 144 on the Camden City Tax Map. All of those individual lots are consolidated as one line item for assessment purposes. It is assessed as follows for 2015.

<u>Land</u>	<u>Improvements</u>	<u>Total</u>
\$4,225,200	\$30,774,800	\$35,000,000

As previously noted in the report, the underlying land is owned by the Economic Development Authority (EDA) of New Jersey and therefore the land component is exempt from real estate taxes. The taxes shown below are based on the land not being exempt at this time.

Assessments are intended to represent 100% of market value. The 2015 average ratio of assessment to market value, according to the State of New Jersey, Division of Taxation, for Camden City is 109.11%.

The 2015 tax rate has not been struck. The 2014 tax rate for Camden City was \$2.688 per \$100. of assessed value, the taxes are \$940,800 for the 2014 tax year.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **Highest and Best Use**

The definition of Highest and Best Use, as taken from The Appraisal of Real Estate, Thirteenth Edition published 2008 by the Appraisal Institute.

"Highest and Best Use is the reasonably probable and legal use of vacant land or an improved property that is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value."

Central to the determination of Highest and Best Use, as it relates to individual wealth maximization, is the consideration of the four critical factors, i.e., Legally Permissible, Physically Possible, Financially Feasible and Maximally Productive.

### **Highest and Best Use** **As Vacant and Available Land**

Legally Permissible - refers to the legality or conformance of an existing or proposed use or uses, to existing zoning and other governmental land use controls.

The seller is to deliver good and marketable title to the buyer free and clear of liens, assessments, restrictions, encumbrances, easements, leases, tenancies, claims of right of use or possession and other title obligations, at closing.

Physically Possible - refers to the physical adaptability of a vacant or improved property for an existing or proposed use or uses. In addition to the physical adaptability of the land and/or improvements, this factor must also consider the availability and quality of municipal services and infrastructure needed to service that use or uses.

Financially Feasible - this factor concerns itself with the market demand and/or acceptance of an existing or proposed use or uses.



## **ANALYSIS OF DATA AND CONCLUSIONS**

The uses meeting the first two criteria are analyzed to determine which are likely to produce an income, or return equal to or greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization of the property. All uses expected to produce a positive return are regarded as financially feasible.

Maximally Productive - that financially feasible use which produces the highest return to the land is the maximally productive use.

The subject property site is both physically suited and legally permissible to be developed with a wide variety of uses, although given the makeup of the neighborhood it is most likely that would be a sizeable commercial use in compliance with the existing zoning.

In the past, most of the major private development has occurred in this area along with some forms of public financial incentives. In 2013, the Economic Opportunity Act was adopted, which facilitates substantial tax breaks with major projects, particularly in inner city's locations like the subjects in the City of Camden. In fact, as outlined in the neighborhood section of the subject property, there are three major projects underway that will take advantage of the Economic Opportunity Act. Based on that, it is our opinion the availability of major public tax breaks makes development of the subject property site financially feasible for a variety of uses. The use that provides for the most intensive employment would receive the most tax breaks. Therefore, office use is the most likely.

Based on that, the maximally productive use of the subject property site would be an office use. Therefore, highest and best use of the subject property, as vacant and available land, is future office development.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **Highest and Best Use - As Improved**

The subject property improvements were designed and constructed for their office and light industrial use. Those improvements provide a significant financial contribution to the land as shown in our market valuation analysis.

Based on the above, it is our conclusion highest and best use of the subject property, as improved, is continued office and light industrial use.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **Appraisal Process**

Real estate valuation considers the three basic, recognized approaches to value, the Cost, Sales Comparison and Income Capitalization Approaches. Cost, Sale, lease, income and expense data are analyzed to estimate property value within the three approaches. The approaches are interdependent as data applied to one approach is often used in another.

The Reconciliation and Final Value Estimation is the last step of the valuation process. One of more of the three approaches is applicable. The appraisal is reviewed to determine the data, techniques and logic most appropriate. Any inconsistencies indicated among the approaches are reconciled. The final value is then estimated.

The following are positive attributes to the subject property.

- 1) The subject property is of good overall construction and in good condition.
- 2) The 2013 Economic Opportunity Act provides significant tax benefits to potential tenants or buyers of the subject property.
- 3) The subject property has a long term lease in place with L-3 Communications for the next ten years, and the realty as a practical matter that the lease will be extended five years as a result of Lockheed Martin sub-leasing 50,000 SF in the property and receiving substantial tax breaks, which will require a 15-year occupancy.
- 4) In the "As Stabilized" value estimate, the property is projected to be fully leased, based by the occupancy of Cooper Hospital on the second floor of the three-story office building.

The following are negative attributes to the subject property.

- 1) The South Jersey Office Market is considered relatively soft overall.
- 2) On the property's reversion, there is some risk relative to the future office rates in the subject property's immediate location.

It is within this framework, we have appraised the subject property.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **Valuation Methods**

We have been requested to provide the As Is and As Stabilized Market Value estimates. First we will develop the As Stabilized Market Value estimate utilizing the Income and Sales Comparison Approach to value. Primary emphasis is placed on the Income Approach and the Sales Comparison Approach is developed primarily as a check to value indication.

The As Is market value will then be estimated by making a deduction for a potential six-month vacancy to reflect the risk of Cooper's approvals with EDA being deferred.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value** **Income Approach - Discounted Cash Flow Analysis**

The Income Approach is typically predicated upon the relationship of anticipated income to value.

The first step in estimating the property's potential gross income, "the total income attributable to real property at full occupancy before deduction for vacancy and operating expenses". The typical basis of a potential gross income estimate on an improved property is the building's square footage multiplied by a rental rate.

Contract rent is actual income specified in a lease. Market rent is the rental income a property would most probably common in the open market.

The potential gross income is adjusted for vacancy/credit loss to arrive at effective gross income.

Operating expenses are deducted from the effective gross income to estimate net operating income. Operating expenses are attributable to the operation of real property excluding depreciation, amortization and debt service costs. The net operating income is then converted into a value indication.

Net operating income is converted into a value indication through direct capitalization or yield capitalization. Both capitalization processes consider risk, time, interest on the capital investment and the recapture of depreciating assets. Data from sales is the most desirable method of estimating direct capitalization or yield capitalization rates, if sufficient data exists. Comparison to the competing investments is used in the absence of sale extracted rates.

Direct capitalization converts an estimate of a single year's income or an average of several year's income by dividing the income estimate by a rate or multiplying by a factor.

## **PRESENTATION OF DATA**

### **As Stabilized Market Value** **Income Approach - Discounted Cash Flow Analysis**

Yield capitalization converts future income to present value by discounting the future income (typically on an annual basis) at a yield rate. A yield rate is a measure of an investments return applied to a series of incomes; including reversion, to discount each to present value.

The Income Capitalization Approach used in this report is based on yield capitalization. The Argus Version DCF 15 computer program has been used to prepare a lease by lease Discounted Cash Flow analysis.

### **Potential Gross Income**

The Market Value of the leased fee estate is being estimated.

The first step in estimating potential gross income of the subject property is to consider the existing leases on the property. We have summarized the new lease for L-3 Communications and proposed lease for Cooper Hospital. As noted, this appraisal report is based upon the extraordinary assumption that the Cooper Hospital lease has been executed at terms that are essentially similar to the lease summarized.

<b><u>Dated:</u></b>	July 15, 2014
<b><u>Lessor:</u></b>	Cooper's Ferry Partnership
<b><u>Lessee:</u></b>	L-3 Communications Corporation
<b><u>Use:</u></b>	Engineering, design, development, manufacturing, testing, assembly, office and related purposes
<b><u>Premises:</u></b>	The first and second floor of the Administrative and Engineering Building containing 219,555 sf and the Operations Building containing 226,244 sf
<b><u>Term:</u></b>	Ten years, with two five-year options based on a rental rate of 90% of fair market rent or 110% of the prior year's base rent. That fair market rent would be determined by two independent MAI appraisers. Should they be more than 10% apart, they will choose a

## **PRESENTATION OF DATA**

### **As Stabilized Market Value**

#### **Income Approach - Discounted Cash Flow Analysis**

third appraiser. In the event that the appraisal is greater than the average of the first two appraisals, then the market rent shall be the average of the two highest appraisals. In the event that the third appraisal was less than the average of the first two appraisals, then the average will be of the lowest two appraisals. It was agreed by both parties in arriving at the rental rate excluding consideration of all of the leasehold improvements on or part of the demised premises which have been either installed or paid for by a tenant or installed or paid for by the landlord or its predecessor.

**Annual Rent:** \$2,994,084. This is based on a rental rate of \$9 per square foot for the Administrative and Engineering Building and \$4.50 for the Operations Building.

**Expenses:** All operating expenses are to be paid by the tenant. Structural expenses related to the building or roof have to be paid by the landlord.

**Developer Space:** The future developer space consisting of 114,780 SF on the second floor and 8,804 SF which represents a proportional share of the first floor common area. Landlord is responsible for the operating expenses for this space, and 75% of the proportional electric while it is vacant.

**Parking:** The demised premises will have 835 parking spaces excluding the tenant's proportional share of the visitor and handicap parking.

Subsequently a first amendment was executed to the lease changing the purchasing contingency date from October 1, 2014 to December 11, 2014.

**Assignment of Lease:** The landlord assigns the lease to L/N CAC, LP.

**Expenses:** The amendment also added an Asset Management Fee of \$5,000 per month be paid to the landlord.

The following is a summary of the terms of the unexecuted lease with a prospective tenant, (Cooper's Hospital).

**Lessor:** L/N CAC, LP

## PRESENTATION OF DATA

### As Stabilized Market Value Income Approach - Discounted Cash Flow Analysis

Lessee: Prospective Tenant (Cooper's Hospital)

Commencement  
Date: January 1, 2015

Premises: The second floor and common area consisting of 114,780 SF on the second floor and 8,804 SF as a proportional share of the common area on the first floor resulting in a total premises of 123,584 SF.

Term: Fifteen years

1/1/15 – 12/31/24: \$2,100,924 (\$17 per SF)

1/1/25 – 12/31/29: 70% of the fair market rent but not less than \$9 per square foot.

The fair market value rent is to be established by two MAI appraisers as long as they are within 10%. If they are further apart, a third MAI appraiser will be used in the calculations.

There are an additional two five-year options.

CAM: Initially, the CAM is estimated at \$11 per square foot, but will be revised to reflect the actual operating expenses to be paid by the tenant.

Use: Office and administrative related purposes.

Condition: The tenant will take the space in its "As Is" condition. The tenant will create a second floor lobby and secure second floor space.

Expenses: It is the intention that the lease be a net lease with all operating expenses paid by the tenant except structural items.

Parking: The tenant will be assigned 368 parking spaces but excluding the tenant's proportional share of visitor and handicap parking.

In determining the reasonableness of the subject property's market rent, we have surveyed the competing office properties within the City of Camden. There are only three newer office properties constructed within the last 20 years, within the desirable riverfront area of the City of Camden. Additionally, we have included one other



## **PRESENTATION OF DATA**

### **As Stabilized Market Value**

### **Income Approach - Discounted Cash Flow Analysis**

less competitive office property. The following is a summary of their current occupancy and asking rates.

## PRESENTATION OF DATA

### As Stabilized Market Value Income Approach - Discounted Cash Flow Analysis

#### Office Market – City of Camden

##### Office 1



<u>Project:</u>	Ferry Terminal Building
<u>Location:</u>	2 Aquarium Drive City of Camden
<u>Rentable Building Area SF:</u>	101,181 SF
<u>Year Built:</u>	2005
<u>Available Space SF:</u>	0
<u>Vacancy %:</u>	0%
<u>Asking Rental Rate SF:</u>	Was market at \$20.75 per SF plus electric
<u>Landlord Operating Expenses SF:</u>	\$8.34
<u>Effective Net Rent per SF:</u>	\$12.41

##### Comments:

This is a newer four-story Class A warehouse located along the Delaware River in close proximity to the subject property. The building's location affords unobstructed views of the Philadelphia skyline.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value Income Approach**

#### **Office Market – City of Camden**

##### **Office 1**

##### **Comments:**

The most recent lease signed in the building was first to the State of New Jersey based on a seven-year term for 2,784 square feet. This is a full-service lease with rental rates of \$24.75, \$25.55, \$26.35, \$27.16, \$27.98, \$28.81 and \$29.65 in the seventh year, with an average rental rate of \$27.18 per square foot. The space only required minor fitout estimated at \$10 per square foot. The electric expense is about \$2.50 per square foot so the effective average net rent is \$16.34 per SF. That lease commenced in June, 2014.

There is a pending lease with WebMax for the remaining 8.155 square feet that are available in the building. That lease is written on a net basis for a ten-year term and the rental rates are as follows beginning with the first year: \$14, \$14.50, \$15, \$15.50, \$16, \$16.50, \$17, \$17.50, and \$18 in the ninth and tenth year. This lease included five months of free rent and the tenant fitout costs were about \$40 per square foot. The tenant is anticipated to take occupancy in February, 2015.

That lease averages \$15.55 per square foot when consideration is given to the free rent.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

#### Office Market – City of Camden

##### Office 2



<u>Project:</u>	Waterfront Technology Center
<u>Location:</u>	200 Federal Street City of Camden
<u>Rentable Building Area SF:</u>	100,000 SF
<u>Year Built:</u>	2005
<u>Available Space SF:</u>	19,085 SF
<u>Vacancy %:</u>	19%
<u>Asking Rental Rate SF:</u>	\$22 per SF plus electric
<u>Landlord Operating Expenses SF:</u>	Estimated at \$10

##### Comments:

This is a newer five-story Class A office that was constructed with laboratory face and originally built as business incubator space. This property is owned and operated by the New Jersey Economic Development Agency (EDA).

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value** **Income Approach**

#### **Office Market – City of Camden**

##### **Office 2**

The leasing agent reports a five-year laboratory lease for 9,000 square feet at \$32 per square foot on a full service space was recently signed. That reflected extensive fitout. That lease commenced in mid-2014

More recently, a short-term six-month office lease was signed for 5,300 square feet at \$22 per square foot plus electric. That space was taken in its as is condition. That tenant took occupancy in August, 2014.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

#### Office Market – City of Camden

##### Office 3



<u>Project:</u>	One Port Center
<u>Location:</u>	2 Riverside Drive City of Camden
<u>Rentable Building Area SF:</u>	175,000 SF
<u>Year Built:</u>	1996
<u>Available Space:</u>	5,668 SF
<u>Vacancy %:</u>	3%
<u>Asking Rental Rate SF:</u>	\$24 plus electric
<u>Landlord Operating Expenses SF:</u>	\$9

##### Comments:

This is an eleven-story high rise located approximately one block from the subject property. The property given its height has excellent views across the Adventure Aquarium of the Philadelphia skyline. Approximately 50% of the building is occupied by the Delaware River Port Authority.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value** **Income Approach**

#### **Office Market – City of Camden**

##### **Office 3**

Recently a new leasing agent was selected for the property and they report moderate interest in the two spaces available within the building.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

#### Office Market – City of Camden

##### Office 4



<u>Project:</u>	Three-story Office Building
<u>Location:</u>	808 Market Street City of Camden
<u>Rentable Building Area SF:</u>	83,041 SF
<u>Year Built:</u>	1950, subsequently renovated
<u>Available Space SF:</u>	6,600 SF
<u>Vacancy %:</u>	7.9%
<u>Asking Rental Rate SF:</u>	\$17.50
<u>Landlord Operating Expenses SF:</u>	\$9 per SF

##### Comments:

This is an older building that was remodeled about ten years ago and is overall considered to be a Class C building. The building is not considered directly competitive to the subject property due to its age/condition.



## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value** **Income Approach**

#### **Office Market – City of Camden**

##### **Office 4**

Most recently the lease was signed with a non-profit tenant for 5,900 square feet at \$17.85 per square foot for a four and a half year term. The tenant improvements costs were approximately \$15 per square foot and there was no free rent involved. That tenant took occupancy in September, 2014.

Reportedly there is a tenant who will take the remaining space within the building reducing the overall vacancy rate to 0%.



## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

#### Office Market – City of Camden

COMPETITIVE OFFICE RENTAL PROPERTIES				
Item	Office 1	Office 2	Office 3	Office 4
Project	Ferry Terminal	Waterfront Technology	One Port Center	Three-Story Office
Location	2 Aquarium Drive Camden City	200 Federal Street Camden City	2 Riverside Drive Camden City	808 Market Street Camden City
Building Size Rentable SF	43,847	100,000	175,000	83,041
Year Built	2005	2005	1996	1950 Renovated
Vacant SF	0	19,085	5,668	6,600
Vacancy %	0.0%	19.1%	3.2%	7.9%
Asking Rate per SF	\$20.75 plus elec.	\$22.00 plus elec.	\$24.00 plus electric	\$17.50
Adjustment to Gross rent	\$8.34	\$10.00	\$9.00	\$9.00
<b>Effective Net Rent</b>	<b>\$12.51</b>	<b>\$12.00</b>	<b>\$15.00</b>	<b>\$8.50</b>
Style	Mid-rise	Mid-rise	High-rise	Mid-rise
Quality of construction	Good	Good	Good	Average
<b>Comparison to subject</b>	<b>Slightly Superior</b>	<b>Superior - Specialty</b>	<b>Slightly Superior</b>	<b>Significantly Inferior</b>
<b>Item</b>	<b>Totals</b>			
Project				
Location				
Building Size Rentable SF	401,888			
Year Built				
Vacant SF	31,353			
Vacancy %	7.8%			

As can be seen above, the net rental rates for the competitive office properties range from \$8.50 to \$15 per square foot. The lower end of the range is set by a building considered substantially inferior to the subject property.

Shown on the next table is a summary of the most recent office leases signed within those properties.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

#### Office Market – City of Camden

Summary of recent office leases signed in the subject market							
OFFICE LEASES							
No. Location	Tenant	Area Leased SF	Lease Date	Term Years	Rental Rate Per SF	Effective Net per SF	Comment
1 State of NJ 2 Aquarium drive City of Camden	State of NJ	2,784	6/14	7	\$27.18 average	\$16.34	Rental rate is semigross plus electric. Specific rent is shown in comments. TI was about \$10 per SF
2 WebMax 2 Aquarium drive City of Camden	WebMax	8,155	2/15	10	\$15.55 average	\$15.55	Rental rate is on a net basis. Detail on the rental rates is shown in building comments. TI was about \$40 per SF.
3 Waterfront Technology Center 200 Federal Street City of Camden	Confidential	5,300	8/14	6 months	\$22.00	\$12.00	Rental rate is on a semigross plus electric basis. Short term lease taken in its "as is" condition.
4 Three Story Office Building 808 Market street City of Camden	Non-Profit	5,900	9/14	4.5	\$17.85	\$8.85	Rental rate is on a full service basis. Tenant fitout cost were \$15.00 per SF.

As can be seen above, the effective net rental rates range from \$8.85 to \$16.34 per square foot. Those are higher than the asking rates but this is partially attributable to the fitout provided, particularly in the case of the WebMax lease.

Based on conversations with the leasing agents, the rental rates have remained relatively stable over the last several years and it is our opinion that the above rental rates are reflective of office rents for smaller spaces that have not yet felt the impact of the 2013 Economic Opportunity Act. Based on those leases, it is our opinion that a typical market rent for office space would be \$13 per square foot with limited tenant improvements. That rental rate will be used in our renewal analysis in establishing the future market rent in the tenth year for the Cooper lease and the office space occupied by L-3 Communications. Those rents will be subject to the real clauses at 70% and 90% respectively if they exceed \$9 and 110% of the existing rents for those tenants respectively.

The strong demand for large floor plates is best evidenced by the Lockheed Martin which has entered into a ten-year lease at the Operations Building for approximately 50,000 square feet of office and laboratory space which will be refit. The rental rate for that space will be \$26 per square foot on a gross basis which equates to approximately \$14 per square foot on a net basis.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value Income Approach**

#### **Office Market – City of Camden**

The subject property space in the three-story office building is considered significantly superior to that. That combined with the limited availability of quality large floor plate space in the City of Camden appears to make the proposed rental rate of \$17 per square foot of the proposed Cooper lease reasonable. We have accepted that lease as reflective of market rent given the 2013 Economic Opportunity Act.

Next we have considered the following industrial leases in estimating the market rent for the industrial space.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach



Rental 1



Rental 2



## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach



Rental 3

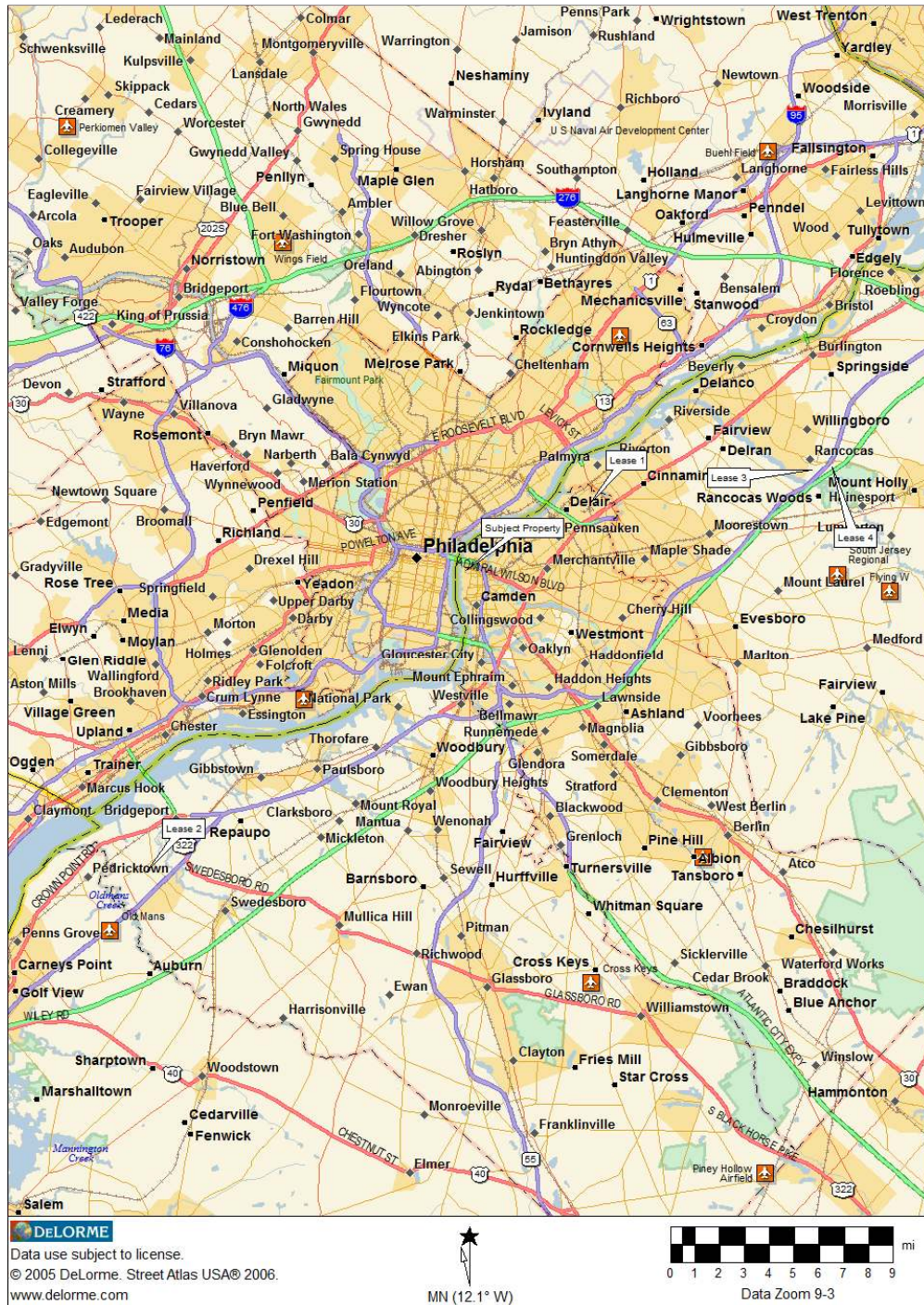


Rental 4

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

### Industrial Lease Map





## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

#### Lease Grid

ITEM	SUBJECT	LEASE NO.1	LEASE NO.2	LEASE NO.3	LEASE NO.4
LOCATION	200 Market Street Camden City	1090 Thomas Busch Hwy Pennsauken Twp	2279 Center Square Road Logan Township	25 East Park Drive Westampton Township	400 Highland Drive Westampton Twp.
TENANT	L-3	Supply One, Inc.	New View Gifts	Quadgraphics	Firebird Presort
LEASE DATE		7/12	6/14	4/14	6/13
TERM (YEARS)		5.5	5	5	5
OPTIONS		None	None	None	None
RENTAL RATE (\$/SF)		YR 1-5.5 \$3.40	YR 1 - 5 \$4.00	YR 1-5 \$4.30	YR 1 - 5 \$3.80 annual 3% increase
TYPE LEASE	Triple Net	Triple Net	Triple Net	Triple Net	Triple Net
UNIT SIZE SF	226,244	168,737	90,163	210,512	52,543
CEILING HEIGHT	24'	30' -5%	24'	28' -5%	22' -5%
AGE/CONDITION	21/Good	30/Average 10%	23/Average 10%	8 / Good -5%	25 / Average 10%
% FINISHED	40.0%	11.7% 15%	10.0% 15%	3.4% 20%	10.0% 15%
AIR CONDITIONED	Entire Bldg	Office Only 10%	Office Only 10%	Office Only 10%	Office Only 10%
ADJUSTMENT		30%	35%	20%	30%
OVERALL		Inferior \$4.42	Inferior \$5.40	Inferior \$5.16	Inferior \$4.94
COMPARISON					

After adjusting the four lease properties for their physical dissimilarities with the subject property, a market rental rate of \$4.42 to \$5.40 per square foot is indicated to the Operations Building. Based on that we have estimated the market rent at \$5 per square foot without the impact of the 2013 Economic Opportunity Act. The existing rent to L-3 Communications of \$4.50 per square foot is considered to be below market.

That estimate of \$5 per square foot is utilized in projecting the new rental rates after year 10.

### Market Rent Growth

We have projected the market rent growth for the office and industrial rental rates at 2.5% per year, based on \$13 and \$5 per square foot respectively.

### Vacancy and Credit Loss

The subject property will be fully occupied by quality tenants with the consummation of the Cooper lease. Therefore, only a modest vacancy and credit loss of 2% is taking over the holding period. As previously noted in the renewal period, Economic Opportunity Act requires the applicant to remain in the space for 15 years,

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value Income Approach**

and therefore we have assumed a renewal of the L-3 Communications lease for its first five-year option.

### **Effective Gross Income**

Effective gross income is anticipated income from all operations of real property adjusted for vacancy and credit loss.

### **Operating Expenses**

Expenditures necessary to maintain the property and continue the production of income are operating expenses. Depreciation, mortgage amortization and debt service are not considered operating expenses.

Traditionally, appraisers categorize operating expenses as either fixed or variable expenses. Fixed expenses are items such as water/sewer, real estate taxes and other expenses that do not vary with occupancy. By comparison, variable expenses fluctuate with the level of the occupancy in a property. Examples of variable expenses include tenant outfitting, leasing commissions, utility expenses and other items that could change with occupancy levels.

However, our experience, in the valuation of commercial properties reveal there are very few expenses that have not varied significantly over the past few years. Therefore, expenses have not been classified as fixed or variable, but only as operating expenses.

A historical expense history on the subject property was requested but not provided. We were provided with estimates based on the buyer's projections. It is our understanding the buyer had reviewed the historical expense history for the subject

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

property. A couple small changes have been made to these projections based on the real estate taxes and management fee. Our estimates are shown next.

Projected Expenses as estimated by Needleman Management and adjusted by RMS				
226,244	Ops Space SF			
343,139	AE Space SF			
569,383	Total Property			
114,780	2nd Floor			
8,804	Common to Cooper			
123,584	Cooper Space	21.7%		
Expense	Basis	Total Cost	\$ per SF	
A&E Electric	Percent of A&E SqFt	1,492,000	4.35	Higher than typical due to 24 hour operation and aa electric. This expense reflects only the A & E building, the operations building pay
Water and Sewer	Percent of Total Campus	154,000	0.27	
Property Tax	Percent of Total Campus	940,000	1.65	Figure has been adjusted upward \$113k to reflect EDA land exemption
Repairs and maintenance	Percent of Total Campus	1,080,000	1.90	
Janitorial Staff and Supplies	Percent of Total Campus	510,000	0.90	
Campus Maint (exc Snow/Lawn)	Percent of Total Campus	660,000	1.16	
Snow and Lawn Care	Percent of Total Campus	225,000	0.40	
Insurance	Percent of Total Campus	50,000	0.09	
Physical Security	Percent of Total Campus	620,000	1.09	
Transportation	Percent of Total Campus	40,000	0.07	
Property Management	Percent of Total Campus	150,000	0.26	Approximentially 3% of Rental Income
Safety	10% of Total Cost	220,000	0.39	
		4,649,000	8.16	

The above projections appear reasonable when compared to the operating expenses of the Ferry Terminal Building which is located in close proximity to the subject property.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value Income Approach**

All the above expenses are considered to be common area expenses which will be recovered on a pro-rata basis from the individual tenants. All the above expenses have been increased at an annual rate of 2.5% during the holding period.

#### **Structural Reserves:**

Reserves for structural replacement, consisting of the roof and exterior of the building, is estimated at approximately \$.25 per square foot of building area.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Income Approach

#### Philadelphia Office Market – Third Quarter 2014

<b>Table 17</b> <b>PHILADELPHIA OFFICE MARKET</b> Third Quarter 2014					
	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
<b>DISCOUNT RATE (IRR)<sup>a</sup></b>					
Range	7.00% – 12.00%	7.00% – 12.00%	7.00% – 12.00%	8.00% – 11.00%	9.00% – 11.00%
Average	9.15%	9.21%	9.10%	9.38%	9.87%
Change (Basis Points)		– 6	+ 5	– 23	– 72
<b>OVERALL CAP RATE (OAR)<sup>a</sup></b>					
Range	6.00% – 10.50%	6.50% – 10.50%	6.75% – 10.00%	7.50% – 10.00%	8.00% – 11.00%
Average	7.90%	8.26%	8.45%	8.62%	9.19%
Change (Basis Points)		– 36	– 55	– 72	– 129
<b>RESIDUAL CAP RATE</b>					
Range	6.50% – 10.00%	6.50% – 10.00%	7.00% – 10.00%	7.00% – 11.00%	8.00% – 10.00%
Average	8.31%	8.19%	8.29%	8.78%	9.17%
Change (Basis Points)		+ 12	+ 2	– 47	– 86
<b>MARKET RENT CHANGE<sup>b</sup></b>					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	(5.00%) – 3.00%
Average	1.55%	1.80%	1.10%	1.32%	0.18%
Change (Basis Points)		– 25	+ 45	+ 23	+ 137
<b>EXPENSE CHANGE<sup>b</sup></b>					
Range	1.00% – 3.00%	1.00% – 3.00%	0.00% – 3.00%	2.75% – 3.00%	3.00% – 3.00%
Average	2.63%	2.63%	2.45%	2.96%	3.00%
Change (Basis Points)		0	+ 18	– 33	– 37
<b>MARKETING TIME<sup>c</sup></b>					
Range	3 – 12	3 – 12	3 – 18	2 – 18	3 – 9
Average	6.1	6.1	7.9	7.3	6.6
Change (▼, ▲, =)		=	▼	▼	▼
a. Rate on unleveraged, all-cash transactions    b. Initial rate of change    c. In months					

### Discount Rate Selection

To estimate the discount rate we have considered:

- 1) PwC Real Estate Investor Survey of the Philadelphia Office Market, Third Quarter, 2014

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value Income Approach**

#### **PwC Real Estate Investment Survey**

TABLE 5  
PHILADELPHIA OFFICE MARKET  
Third Quarter 2014

KEY INDICATORS Free & Clear Equity IRR	CURRENT QUARTER	LAST QUARTER	YEAR AGO
RANGE	7.00%-12.00%	7.00%-12.00%	7.00%-12.00%
AVERAGE	9.15%	9.21%	9.10%
CHANGE (Basis Points)	--	-6	+5

Given the quality of the subject property tenants, and the likelihood of renewal, we have utilized an overall discount rate of 9.5%.

### **Residual Capitalization Rate**

Shown below is the Real Estate Investor Survey for National Suburban Office Market by Peter F. Korpacz & Associates and several local office building sales.

#### **PwC Real Estate Investment Survey**

TABLE 5  
PHILADELPHIA OFFICE MARKET  
Third Quarter 2014

KEY INDICATORS Residual Cap Rate	CURRENT QUARTER	LAST QUARTER	YEAR AGO
RANGE	6.50-10.00%	6.50%-10.00%	7.00%-10.00%
AVERAGE	8.31%	8.19%	8.29%
CHANGE (Basis Points)	--	+12	+2

A discussion was also held with local brokers active in the South Jersey Office Market. Joseph Sklencar a broker with Grubb & Ellis, who is familiar with the subject property, felt a current capitalization rate of 8.0% would be appropriate for the subject property. Typically terminal capitalization rates are approximately 50 basis points higher and it is our opinion a terminal capitalization rate of 8.5% is appropriate for the subject property.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value Income Approach**

#### **Reversionary Value**

Reversionary value is calculated using the estimated 11th year stabilized cash flow, divided by the terminal capitalization rate. The stabilized cash flow is arrived at by assuming the renewal of the L-3 lease and continued occupancy by Cooper under the terms of their lease. From that we have made a deduction for a stabilized vacancy and credit loss factor of 2% since the existing tenants will remain in place.

The reimbursable and non-reimbursable operating expenses are grossed up to 100%. Those operating expenses are then subtracted from the adjusted effective gross revenue to arrive at an adjusted net operating income. That net operating income is then capitalized using the terminal capitalization rate. If absorption and turnover vacancy in the resale year is greater than the stabilized market vacancy, a direct deduction of that difference is taken. If the absorption and turnover vacancy is less than the stabilized market vacancy, no deduction is taken. Tenant improvements and leasing commission that occur in the resale year are also directly deducted from the indicated value to arrive at an estimated sale price. Lastly, a sales commission of 3% is deducted to arrive at net sales proceeds.

The net proceeds from resale are then discounted at the tenth year present worth factor to reflect reversionary value. Discounted cash flows and the discounted net proceeds from resale (reversionary value) are summed to produce a value indication.

#### **Discounted Cash Flow Presentation**

The following pages contain a Schedule of Prospective Cash Flow over the holding period and a prospective present value.

**As Stabilized Market Value  
Income Approach**

**ANALYSIS OF DATA AND CONCLUSIONS**

**Cash Flow**



L-3 and Cooper  
100 and 200 Market street  
Camden, NJ

Software : ARGUS Ver. 15.0.1.  
File : L-3 Camden  
Property Type : Office Building  
Portfolio :  
Date : 12/10/14  
Time : 9:03  
Rep : ACI  
Page : 1

	Year 1 Dec-2015	Year 2 Dec-2016	Year 3 Dec-2017	Year 4 Dec-2018	Year 5 Dec-2019	Year 6 Dec-2020	Year 7 Dec-2021	Year 8 Dec-2022	Year 9 Dec-2023	Year 10 Dec-2024	Year 11 Dec-2025
--	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	--------------------	---------------------	---------------------

For the Years Ending											
Potential Gross Revenue											
Base Rental Revenue											
Scheduled Base Rental Revenue											
Expense Reimbursement Revenue											
Water and Sewer											
Property Tax											
Repairs and Maintenance											
Janitorial Staff and Supplies											
Grounds Maintenance											
Snow and Lawn Care											
Insurance											
Physical Security											
Transportation											
Property Management											
Safety											
Electrical											
Total Reimbursement Revenue											
Total Potential Gross Revenue											
General Vacancy											
Effective Gross Revenue											
Operating Expenses											
Water and Sewer											
Property Tax											
Repairs and Maintenance											
Janitorial Staff and Supplies											
Campus Maintenance											
Snow and Lawn Care											
Insurance											
Physical Security											
Transportation											
Property Management											
Safety											
Electrical											
Total Operating Expenses											
Net Operating Income											
Leasing & Capital Costs											
Structural Reserves											
Total Leasing & Capital Costs											
Cash Flow Before Debt Service											
& Taxes											

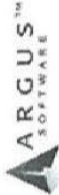




**ANALYSIS OF DATA AND CONCLUSIONS**

**As Stabilized Market Value  
Income Approach**

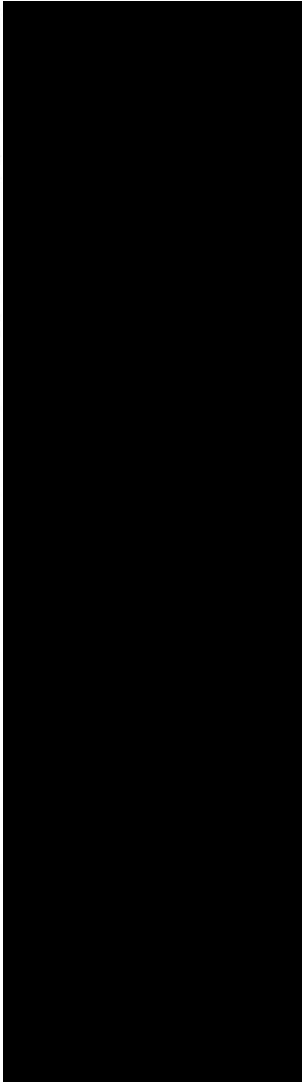
**Prospective Present Value**



L-3 and Cooper  
100 and 200 Market street  
Camden, NJ

Resale - Cap Rate Matrix  
Cash Flow Before Debt Service plus Property Resale in Year 10, Dec-2024  
Discounted Annually (Endpoint on Cash Flow & Resale)

For the Cap Rates	Net Proceeds From Sale	P.V. of Property @ 9.00%	P.V. of Property @ 9.25%	P.V. of Property @ 9.50%	P.V. of Property @ 9.75%	P.V. of Property @ 10.00%
----------------------	------------------------------	--------------------------------	--------------------------------	--------------------------------	--------------------------------	---------------------------------



INDICATED AS STABILIZED MARKET VALUE VIA  
INCOME APPROACH

\$56,000,000.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value** **Sales Comparison Approach**

The Sales Comparison Approach to value has been developed as a check on the value indication produced via the Income Approach. Multi-tenanted office buildings are typically purchased on a cash flow basis and best analyzed based on their economic characteristics, i.e. going in capitalization rate. We have considered those capitalization rates in our Income Approach and based our Sales Comparison Approach primarily on the physical indicator of value. Therefore, this approach will be given secondary emphasis in arriving at our overall market value estimate.

Adjustments are made to the sales based on the degree of similarity or difference to the subject based on:

- 1) Real property rights conveyed.
- 2) Financing terms.
- 3) Conditions of sale.
- 4) Market conditions
- 5) Location
- 6) Physical characteristics
- 7) Economic characteristics
- 8) Use
- 9) Non-realty components of value

The following sales have been analyzed on a price per square foot of building area.

The Sales Comparison Approach will be divided into two sections. The first section will consist of the office sales in the local market place. Second, we will develop a Sales Comparison Approach for the industrial office space.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

### Sales Comparison Approach – A and E Building

#### Sale No. 1



<u>Project:</u>	One-story Office Building
<u>Location:</u>	112 West Park Drive Mt Laurel Township Burlington County
<u>Tax Map Designation:</u>	Block: 1204 Lot: 4.03
<u>Grantor:</u>	112 West Park Associates, LLC
<u>Grantee:</u>	Mt Laurel II Holdings, LLC
<u>Sale Date:</u>	06/13/2014
<u>Deed Recording:</u>	Book: 13132 Page: 2180
<u>Financing:</u>	Conventional
<u>Sale Price:</u>	\$11,725,000.
<u>Lot Size/Acres:</u>	16.770
<u>Building Size/SF:</u>	113,192
<u>Price per SF Building Area:</u>	\$103.59
<u>Year Built/Condition:</u>	1967/Renovated 2005
<u>Construction Type:</u>	Masonry
<u>Utilities:</u>	Full City Type
<u>Zoning:</u>	O-Office
<u>Highest and Best Use:</u>	Office Use
<u>Verified With:</u>	Grantee
<u>ID:</u>	5543/

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value**

#### **Sales Comparison Approach – A and E Building**

##### **Sale No. 1**

##### **Comments:**

This is the sale of a renovated one-story office building located just off Fellowship Road. The property's location affords easy access to Route 73 and in turn limited access to Route 295 and the NJ Turnpike.

At the time of sale the property has two tenants, Comcast and Harleysville Mutual Insurance. Those two tenants had relatively short remaining lease terms expiring in 3.5 years and 2 years respectively.

The buyer indicated the going in capitalization rate was 12.6% that reflected the short term natures of the existing lease and that the long term capitalization rate was estimated to be more like 9.5%.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

### Sales Comparison Approach – A and E Building

#### Sale No. 2



<u>Project:</u>	One-Story Office Space
<u>Location:</u>	20000 Verizon Way Mt Laurel Township Burlington County
<u>Tax Map Designation:</u>	Block: 1300.04 Lot: 1
<u>Grantor:</u>	Verizon Way, LLC
<u>Grantee:</u>	Verizon Park Equities, LLC
<u>Sale Date:</u>	10/08/2014
<u>Deed Recording:</u>	Book: 13146 Page: 2623
<u>Financing:</u>	Conventional
<u>Sale Price:</u>	\$4,938,900.
<u>Lot Size/Acres:</u>	8.080
<u>Building Size/SF:</u>	47,003
<u>Price per SF Building Area:</u>	\$105.08
<u>Year Built/Condition:</u>	1987/Average
<u>Construction Type:</u>	Glass and steel frame
<u>Utilities</u>	Full City Type
<u>Zoning:</u>	I-Industrial
<u>Highest and Best Use:</u>	Office Use
<u>Verified With:</u>	Grantee
<u>ID:</u>	5544/

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value**

#### **Sales Comparison Approach – A and E Building**

##### **Sale No. 2**

##### **Comments:**

This is the sale of a one-story office building located in the Verizon Corporate Center. The corporate center is located just off Route 73 and provides easy access to Route 295 on the New Jersey Turnpike.

The property has a number of smaller multi-tenant users at the time of sale. Property was 100% occupied.

The buyer did not provide a specific capitalization rate.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

### Sales Comparison Approach – A and E Building

#### Sale No. 3



<u>Project:</u>	Three-Story Office Building
<u>Location:</u>	900 North Kings Highway Cherry Hill Township Camden County
<u>Tax Map Designation:</u>	Block: 340.30 Lot: 14
<u>Grantor:</u>	900, LLC
<u>Grantee:</u>	Mackshacks, LLC
<u>Sale Date:</u>	09/30/2014
<u>Deed Recording:</u>	Book: 7298 Page: 1381
<u>Financing:</u>	Conventional
<u>Sale Price:</u>	\$2,025,000.
<u>Lot Size/Acres:</u>	1.150
<u>Building Size/SF:</u>	30,000
<u>Price per SF Building Area:</u>	\$67.50
<u>Year Built/Condition:</u>	0/
<u>Construction Type:</u>	Glass and steel frame
<u>Utilities</u>	Full city type
<u>Zoning:</u>	O-Office
<u>Highest and Best Use:</u>	Office Use
<u>Verified With:</u>	Broker
<u>ID:</u>	5545/

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value**

#### **Sales Comparison Approach – A and E Building**

##### **Sale No. 3**

##### **Comments:**

This is the sale of a mid-rise office building located along Kings Highway. The location affords easy access to Route 70 and in turn the City of Philadelphia.

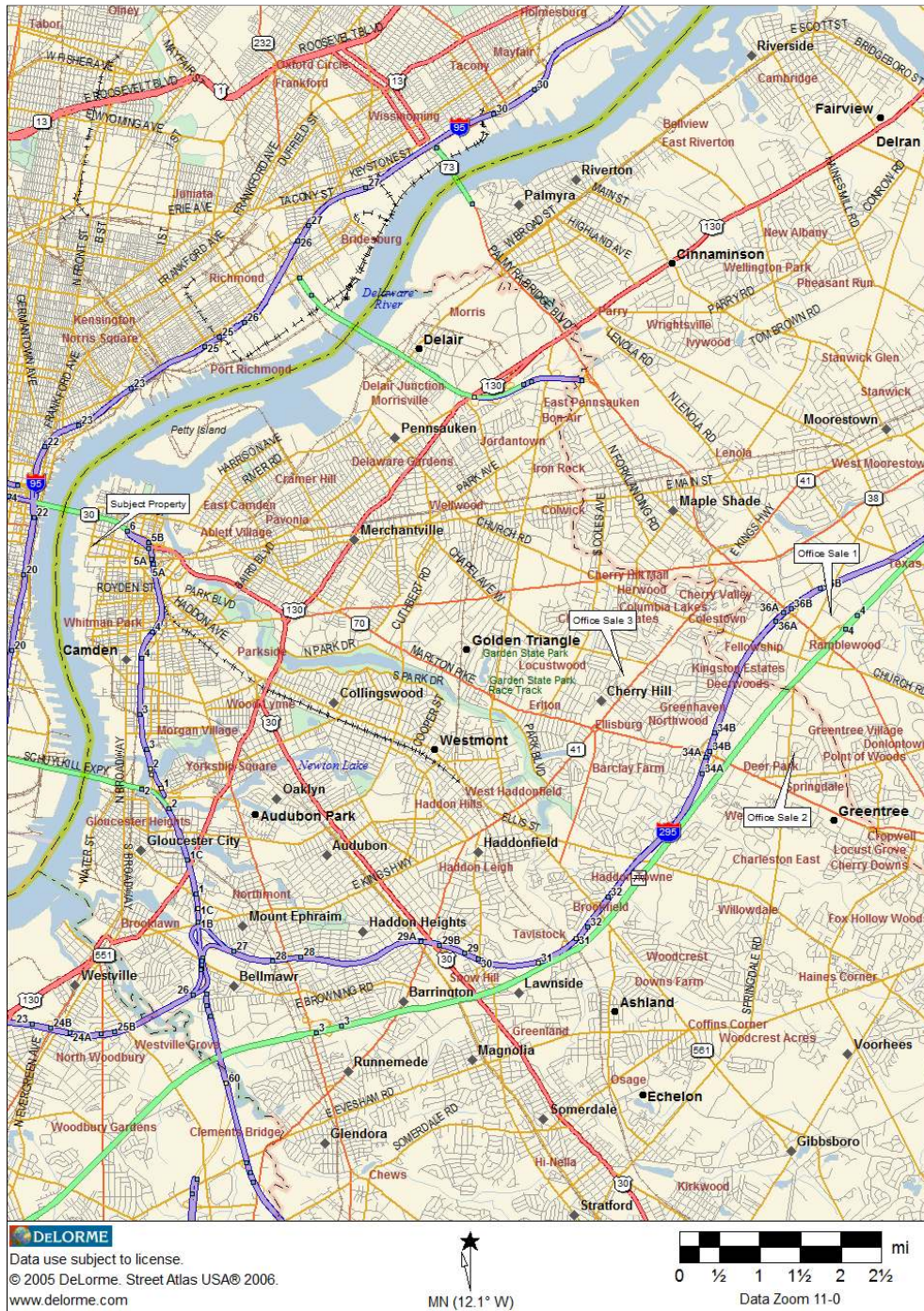
The property was 75% occupied at the time of sale by a number of smaller tenants.



## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Sales Comparison Approach – A and E Building

#### Sales Location Map



## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Sales Comparison Approach – A and E Building

#### Sales Comparison Grid

ITEM	SUBJECT	SALE #1		SALE #2		SALE #3	
Project	Three-Story Office	One-Story Office		One-Story Office		Three-Story Office	
Location	100 Market Street Camden City	112 West Park Drive Mount Laurel Township		20000 Horizon Way Mount Laurel Township		900 North Kings Highway Cherry Hill Township	
Sale Price	N/A	\$11,725,000		\$4,938,000		\$2,025,000	
Price Per SF Bldg.	N/A	\$103.59		\$105.06		\$67.50	
Sale Date	N/A	6/13/14		10/8/14		9/30/14	
Property Rights	Leased Fee	Leased Fee	0%	Leased Fee	0%	Leased Fee	0%
Adjusted Price			\$103.59		\$105.06		\$67.50
Financing	Typical	Typical	0%	Typical	0%	Typical	0%
Adjusted Price			\$103.59		\$105.06		\$67.50
Conditions of Sale	Typical	Typical	0%	Typical	0%	Typical	0%
Adjusted Price			\$103.59		\$105.06		\$67.50
Capital Expenditures	None	None	0%	None	\$0.00	None	7%
Adjusted Price			\$103.59		\$105.06		\$72.23
Market Conditions	1/1/15	6/13/14	0.0%	10/8/14	0.0%	9/30/14	0.0%
Adjusted Price			\$103.59		\$105.06		\$72.23
Location*	Average	Good		Good		Good	
Construction Quality	V. Good	Good	10.0%	Average	15.0%	Average	15.0%
Age / Condition	21 / Good	46 / Renovated 05		26 / Average	5.0%	46 / Average	20.0%
Building Size Rentable SF	343,139	113,192	-5.0%	47,003	-10.0%	30,000	-10.0%
Net Adjustment	N/A		5.0%		10.0%		25.0%
Indicated Price Per SF of Building Area			\$108.76		\$115.56		\$90.28
<b>Rounded</b>			<b>\$109</b>		<b>\$116</b>		<b>\$90</b>
*No specific location adjustment is made since the subject property benefits from Economic Recovery Act							

All three sales conveyed the Leased Fee interest similar to the subject property rights conveyed. Although Sale 1 had slightly above market leases, they only had a short term remaining which is felt to offset that factor. No adjustment is indicated for property rights conveyed.

All three sales were financed with conventional financing and no adjustment as made.

The conditions of all three sales were typical and no adjustment was made.

Due to the recentness of all three sales, no adjustment was made for market conditions.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value**

#### **Sales Comparison Approach – A and E Building**

Although the subject property's location is generally considered inferior to the sale properties, the opportunities afforded by the 2013 Economic Opportunity Act are felt to offset that locational difference.

After adjusting the sales for their physical dissimilarities to the subject property, a market value range of \$90 to \$116 per square foot is indicated. Most weight is placed on Sales 1 and 2. It is our opinion an overall market value of \$110 per square foot is indicated to the subject property.

The following calculations produce an overall market value to the office portion of the subject property.

$$343,139 \text{ SF} \times \$110 \text{ per SF} = \$37,745,290$$

The following sales will be analyzed for the industrial portion of the subject property on a price per square foot basis.



## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

### Sales Comparison Approach – Operations Building

#### Sale No. 1



<u>Project:</u>	Warehouse Facility
<u>Street:</u>	281 Benigno Boulevard
<u>Municipality:</u>	Bellmawr
<u>County:</u>	Camden County
<u>Tax Map Designation:</u>	Block: 173.02 Lot: 4
<u>Grantor:</u>	Korman Commercial Properties, Inc.
<u>Grantee:</u>	Bellmawr Laundry, LLC
<u>Sale Date:</u>	10/12/2014
<u>Deed Recording:</u>	Book: N/A Page: N/A
<u>Sale Price:</u>	\$2,812,000.
<u>Building Size/SF:</u>	74,000
<u>Price per SF Building Area:</u>	\$38.00
<u>Warehouse SF:</u>	70300
<u>Office SF:</u>	3700
<u>Ceiling Height:</u>	24'
<u>Construction Quality:</u>	Masonry walls and steel frame
<u>Year Built/Condition:</u>	1970/Average
<u>Lot Size/Acres:</u>	3.750
<u>Bldg. per Acre Ratio:</u>	19733
<u>Zoning:</u>	I-Industrial
<u>Utilities</u>	Average
<u>Sprinklered:</u>	None
<u>HVAC:</u>	Warehouse-heat only; Office-HVAC
<u>Rail Access:</u>	None
<u>Loading Facilities</u>	12/T/G
<u>Sale No. 1</u>	

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

#### Sales Comparison Approach – Operations Building

<u>Electrical Service:</u>	Adequate
<u>Column Spacing:</u>	
<u>Roof:</u>	Flat
<u>Floor:</u>	Concrete
<u>Parking:</u>	Adequate
<u>Intended Use:</u>	Warehouse distribution
<u>Prior Use:</u>	Warehouse distribution
<u>Verified With:</u>	Broker
<u>ID:</u>	5533/1411140006

#### Comments:

This is the sale of a concrete block warehouse building located in the interstate business park. The interstate business park consists primarily of light industrial buildings with some office space located just off an interchange with Route 42 which in turn provides easy access to Route 295. Those roadways provide logistical access to the north and south and Philadelphia to the west.

The property is improved with a one-story masonry building containing 74,000 square feet with approximately 5% office space. The building was in average condition at the time of sale.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

### Sales Comparison Approach – Operations Building

#### Sale No. 2



<u>Location:</u>	5075-5087 Central Highway Pennsauken Township Camden County
<u>Tax Map Designation:</u>	Block: 6305 Lot: 16
<u>Grantor:</u>	Bloom Organization of South Jersey
<u>Grantee:</u>	J & J Snack Food Sales Corp.
<u>Sale Date:</u>	10/02/2012
<u>Deed Recording:</u>	Book: 9674 Page: 1722
<u>Financing:</u>	Conventional
<u>Sale Price:</u>	\$1,920,000.
<u>Lot Size/Acres:</u>	1.560
<u>Building Size/SF:</u>	42,700
<u>Price per SF Building Area:</u>	\$44.96
<u>Year Built/Condition:</u>	1965/Good
<u>Construction Type:</u>	Good
<u>Lot Shape:</u>	Slightly irregular
<u>Topography:</u>	Level
<u>Frontage:</u>	275' along Central Highway
<u>Utilities</u>	Full city type
<u>Zoning:</u>	LI
<u>Highest and Best Use:</u>	Continued industrial use
<u>Verified With:</u>	Broker

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value**

#### **Sales Comparison Approach – Operations Building**

##### **Sale No. 2**

**ID:** 5248/C1303270011

##### **Comments:**

This sale is a 42,700 square foot warehouse that has 15' ceilings. The purchaser of the property was J & J Snack Food Sales who is the maker of Super Pretzel, Icee and Luigi's Real Italian Ice. The property was in good condition at the time of sale. The property has ample parking both for employees and for distribution trucks along with having four loading bays

The sale property had approximately 2,500 square feet of office space or approximately 5% of overall improvements area..

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

### Sales Comparison Approach – Operations Building

Sale No. 3



<u>Street:</u>	103-05 Gaither Drive
<u>Municipality:</u>	Mount Laurel Township
<u>County:</u>	Burlington County
<u>Tax Map Designation:</u>	Block: 1201.05 Lot: 1.01
<u>Grantor:</u>	Prologis
<u>Grantee:</u>	Inventek Colloidal Cleaners, LLC
<u>Sale Date:</u>	12/27/12
<u>Deed Recording:</u>	Book: 13051 Page: 3532
<u>Sale Price:</u>	\$4,100,440
<u>Building Size/SF:</u>	88,622
<u>Price per SF Building Area:</u>	\$46.27
<u>Warehouse SF:</u>	78,722
<u>Office SF:</u>	9,900
<u>Ceiling Height:</u>	24'
<u>Construction Quality:</u>	Good
<u>Year Built/Condition:</u>	1974/Good
<u>Lot Size/Acres:</u>	6.40
<u>Bldg. per Acre Ratio:</u>	13,847
<u>Zoning:</u>	I-Industrial
<u>Utilities</u>	Average
<u>Sprinklered:</u>	Wet
<u>HVAC:</u>	Suspended gas heat in the warehouse area and air conditioning in the office area
<u>Rail Access:</u>	No



## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

#### Sales Comparison Approach – Operations Building

##### Sale No. 3

<u>Loading Facilities</u>	11 T/D, 1 D/I
<u>Electrical Service:</u>	Three phase, 1,200 amp
<u>Roof:</u>	Rubber membrane
<u>Floor:</u>	Concrete
<u>Parking:</u>	90
<u>Intended Use:</u>	Warehouse distribution
<u>Prior Use:</u>	Warehouse distribution
<u>Verified With:</u>	Broker
<u>ID:</u>	1406180001

##### Comments:

This is the sale of an 88,622 square foot warehouse distribution building located in the East Gate Center in Mount Laurel. This location provides easy access to Route 295, a limited access highway and the New Jersey Turnpike.

The property was built in 1974 and in average overall condition. The building's layout makes it adaptable to two separate tenants at either end of the building.

Subsequently, the buyer is utilizing the building for its warehouse distribution needs in the immediate market.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

### Sales Comparison Approach – Operations Building

#### Sale No. 4



<u>Street:</u>	110 Gaither Drive
<u>Municipality:</u>	Mount Laurel Township
<u>County:</u>	Burlington
<u>Tax Map Designation:</u>	Block: 1201.08 Lot: 5
<u>Grantor:</u>	Prologis
<u>Grantee:</u>	Samuel Gray, LLC
<u>Sale Date:</u>	08/01/13
<u>Deed Recording:</u>	Book: 13091 Page: 8888
<u>Sale Price:</u>	\$2,401,539
<u>Building Size/SF:</u>	51,646
<u>Price per SF Building Area:</u>	\$46.50
<u>Warehouse SF:</u>	48,546
<u>Office SF:</u>	3,100
<u>Ceiling Height:</u>	22'
<u>Construction Quality:</u>	Good
<u>Year Built/Condition:</u>	1976/Average
<u>Lot Size/Acres:</u>	3.87
<u>Bldg. per Acre Ratio:</u>	13,345
<u>Zoning:</u>	Industrial
<u>Utilities:</u>	Average
<u>Sprinklered:</u>	Wet

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value

#### Sales Comparison Approach – Operations Building

##### Sale No. 4

<u>HVAC:</u>	Forced air and central air conditioning in offices. Suspended gas units in warehouse.
<u>Rail Access:</u>	None
<u>Electrical Service:</u>	3 phase, 1,200 amp est.
<u>Column Spacing:</u>	41' wide x 31' deep
<u>Parking:</u>	45
<u>Intended Use:</u>	Warehouse use
<u>Prior Use:</u>	Warehouse use
<u>Verified With:</u>	Scott Mertz, Broker
<u>ID:</u>	1406180004

##### Comments:

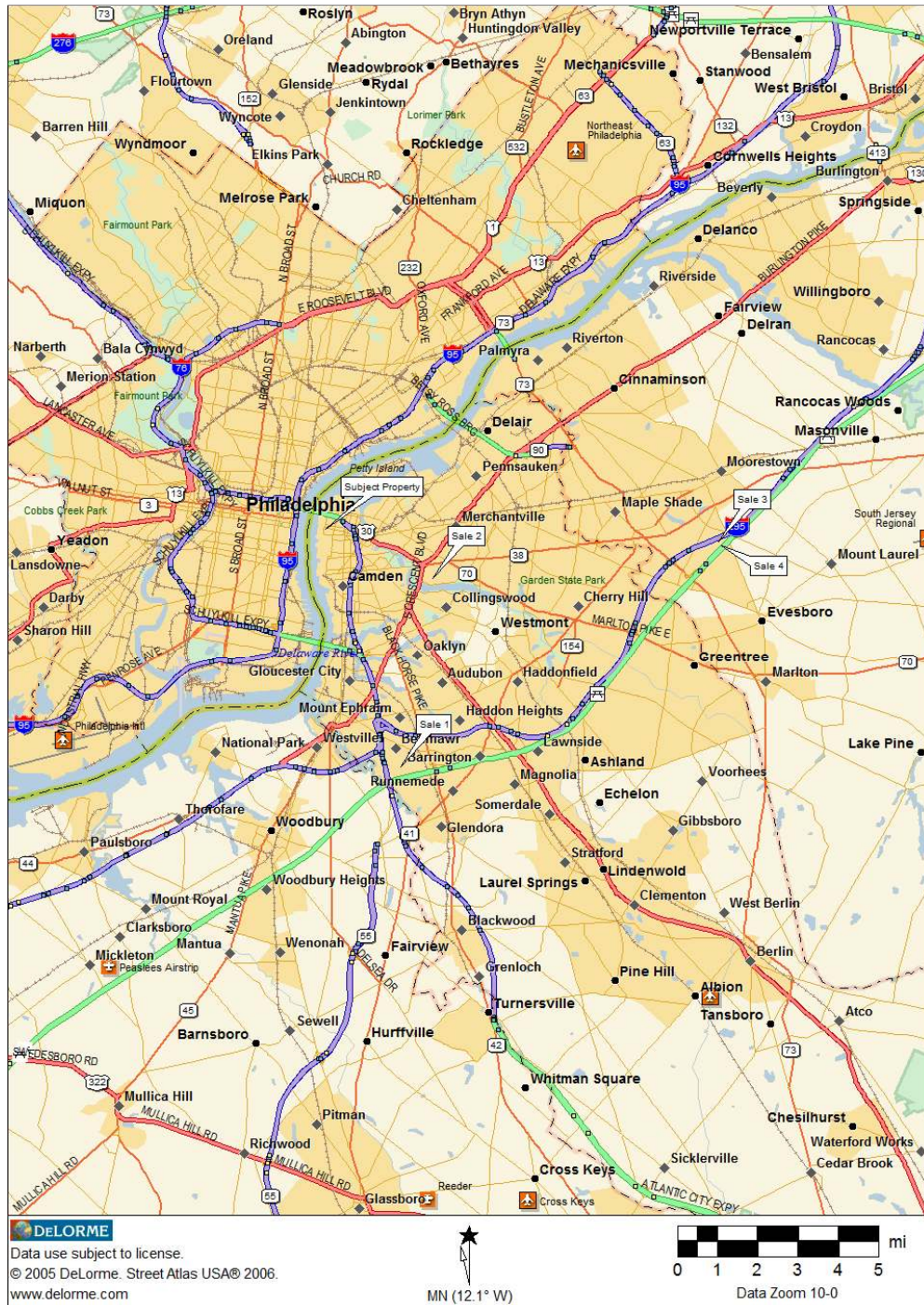
This is the sale of a one-story industrial building located in the East Gate Center in Mt. Laurel Township, Burlington County. The immediate area is an industrial park with nearby access to State Route 73, Interstate 295 and the New Jersey Turnpike.

The building is of masonry construction with a 22' clear span ceiling height, 6 dock-high loading bays and two drive-in bays. It was partially tenant occupied at the time of sale but that did not impact the purchase price.

## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Sales Comparison Approach – Operations Building

#### Improved Sales Location Map



## ANALYSIS OF DATA AND CONCLUSIONS

### As Stabilized Market Value Sales Comparison Approach – Operations Building

#### Improved Sales Comparison Grid

ITEM	SUBJECT	SALE # 1	SALE # 2	SALE # 3	SALE # 4
LOCATION	200 Market Street Camden City	281 Benigno Boulevard Bellmawr Borough	5075-5087 Central Hwy Pennsauken Twp	103-05 Gaither Drive Mount Laurel Township	110 Gaither Drive Mount Laurel Township
SALE PRICE	NA	\$2,812,000	\$1,920,000	\$4,100,440	\$2,401,539
PRICE PER SF BLDG.	NA	\$38.00	\$44.96	\$46.27	\$46.51
SALE DATE	NA	10/2/14	10/2/12	12/27/12	8/14/13
PROPERTY RIGHTS	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Leased Fee - partial tenant
ADJUSTED PRICE		\$38.00	\$44.96	\$46.27	\$46.51
F INANC NG	N/A	Conventional	Conventional	Conventional	Conventional
ADJUSTED PRICE		\$38.00	\$44.96	\$46.27	\$46.51
CONDITIONS OF SALE	N/A	Typical	Typical	Typical	Typical
ADJUSTED PRICE		\$38.00	\$44.96	\$46.27	\$46.51
MARKET CONDITIONS	1/1/15	10/2/14	10/2/12	12/27/12	8/14/13
ADJUSTED PRICE		\$38.00	\$44.96	\$46.27	\$46.51
LOCATION*	Average	Good	Good	Good	Good
LOT SIZE - ACRES	21.040	3.75	1.56	6.40	3.87
BU LDING SIZE SF	226,244	74,000	42,700	88,622	51,636
CE LING HEIGHT	24'	24'	15'	24'	22'
WAREHOUSE HEAT	HVAC	Heat only	Heat only	Heat only	Heat only
CONSTRUCTION QUALITY	Masonry	Masonry	Masonry	Masonry	Masonry
AGE/CONDITION	21/Good	44/Average	47/Good	38 / Average	37 / Average
% OFFICE	40.0%	5.0%	15.0%	11.2%	6.0%
NET ADJUSTMENT	N/A	30.0%	35.0%	25.0%	30.0%
INDICATED PRICE PER SF OF BU LD NG		\$49.40	\$60.70	\$57.84	\$60.46
ROUNDED		\$49	\$61	\$58	\$60

\* No location adjustment is made due to the benefits of the Economic Recovery Act

Although we have appraised the subject property's Leased Fee interest, the existing lease is only slightly below our market value estimate and no adjustment is made.

All of the properties were purchased with conventional financing and no adjustment is made.

Market conditions have remained relatively stable over the last several years and no adjustment is made.

Sales were then adjusted for their dissimilarities to the subject property's physical characteristics. Typically, larger buildings tend to sell for a lower price per unit and a downward adjustment was made to the three sales. Higher ceiling heights are typically considered superior in industrial buildings and an upward adjustment was made. The subject property has is fully air conditioned, and an upward adjustment was made to the four sales for that factor. The subject property is considered to be in

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value**

#### **Sales Comparison Approach – Operations Building**

relatively good condition and newer than the four sale properties and an upward adjustment was made. Lastly, an upward adjustment was made to reflect the subject property's superior level of finish.

After adjusting the four sales for their dissimilarities to the subject property, a market value range of \$49 to \$61 per square foot is indicated. Nearly equal weight was placed on all three sales.

Based on the above analysis, it is my opinion a market value of \$55 per square foot is indicated to the subject property. The following calculations produce an overall market value estimate.

$$226,244 \text{ SF} \times \$55 \text{ per SF} = \$12,443,420$$

#### **SALES COMPARISON VALUE INDICATIONS**

Three-Story Office	\$41,176,680
Light Industrial	\$12,443,420
Total	\$50,188,710
Rounded	\$50,000,000

INDICATED AS STABILIZED MARKET VALUE  
VIA SALES COMPARISON APPROACH

\$50,000,000.

## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Stabilized Market Value** **Reconciliation of the Value Indications**

All three approaches were considered to estimate the As Stabilized Market Value of the Leased Fee interest of the subject property. The following is a recap of those results.

INCOME APPROACH	\$56,000,000.
SALES COMPARISON APPROACH	\$50,000,000.
COST APPROACH	N/A

The subject property is 100% leased as of the "As Stabilized" valuation date and would most likely be purchased by an investor based on the future cash flow. Therefore, primary weight is placed on the Income Approach to value.

The Sales Comparison Approach was primarily developed just as a check to the reasonableness of the Income Approach value conclusion. This is given secondary emphasis.

The two buildings are approximately 20 years old and the Cost Approach to value was not developed due to the difficulty in accurately estimating depreciation and limited land sales in the immediate neighborhood.

Having considered the facts and circumstances pertinent to an estimate of market value, it is my opinion the estimated Prospective As Stabilized market value of the leased fee interest of the subject property as of January 1, 2015, subject to the Assumptions and Limiting Conditions contained within this report, will be:

FIFTY-SIX MILLION DOLLARS  
(\$56,000,000.)

The above market value is based on an exposure time of one year.



## **ANALYSIS OF DATA AND CONCLUSIONS**

### **As Is Market Value – Income Approach**

To arrive at the As Is Market Value, we have considered the pending lease with Cooper Hospital and the outstanding application with the EDA. Also considered were the lack of large floor plates within the City of Camden which effectively makes the subject property the only place Cooper Hospital could locate within a relatively short period of time. Nevertheless, a potential buyer of the subject property “As Is” would want to protect his interest by allowing for the possibility that those approvals could be delayed.

Therefore, we have made a deduction for the loss of rent for six months (50% of \$17 = \$8.50) and the loss of six months of common area expenses (common area expenses are \$12.51 as shown on page \$82, so we have utilized 50% of that, \$6.25 per SF). The following calculations produce an “As Is” market value estimate.

As Stabilized Market Value -	\$56,000,000
Less Loss of Six Months in Rent –	
\$123,584 SF X \$8.50 per SF =	\$1,050,464
Unreimbursed Expenses –	
123,584 SF X \$6.25 per SF =	\$772,400
Total	\$54,177,136
Rounded	\$54,000,000

Having considered the facts and circumstances pertinent to an estimate of market value, it is my opinion the estimated market value of the leased fee interest of the subject property as of November 25, 2014, subject to the Assumptions and Limiting Conditions contained within this report, will be:

FIFTY-FOUR MILLION DOLLARS  
(\$54,000,000.)

The above market value is based on an exposure time of one year.



## **ANALYSIS OF DATA AND CONCLUSIONS**

### **Extraordinary Assumption:**

This appraisal report is based on the following Extraordinary Assumptions:

1. Approximately 40% of the building was not inspected since the primary tenant is L-3 Communications is a defense contractor, and for security reasons, access was not provided. We have reviewed the floor plan for the entire property and it has been represented with the fit and finish of those areas are commensurate with the other portions of the building. If subsequent information proves contrary, that might impact on our market value conclusion.
2. The "As Stabilized" market value is based on the execution of a lease by Cooper Hospital, essentially similar to the unexecuted lease provided to us. In that lease, the contract rent for the property will be \$17 per square foot for the first ten years and then will go to the greater of 70% of market rent or not less than \$9 per square foot for the remaining five-year terms. There are also two, five-year options.
3. The current lease to L-3 Communications on the property was requested but not provided. The new lease will take effect on December 11. The current lease rate was provided and it has been represented that it is on a net basis. If the terms are contrary to the information provided that might impact on our market value conclusion.
4. The underlying land is owned by the Economic Development Authority (EDA) of New Jersey who in turn leases the land to the Camden Center Urban Renewal Partnership. A copy of that lease was requested but not provided. In the "As Is" market value estimate we have treated the property as if it had a unified owner of the land and improvements.
5. The Income and expense history of the property was requested but not provided. The buyer of the property did provide an estimate of future expenses based on their review of the historical expenses. Those expenses appear reasonable, but if subsequent historical information differs it might impact on our market value conclusion.
6. Our "As Stabilized" value reflects the impact of the 2013 Economic Opportunity Act on the City of Camden and in turn current market rents.

## **Certification**

As to the Appraisal Institute and USPAP 2014:


I certify that, to the best of my knowledge and belief

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions in conformance with the Uniform Standards of Professional Appraisal Practice.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one other than the person(s) signing this certification provided significant real property appraisal assistance in the preparation of this appraisal report.

As to the Appraisal Institute only (2014):

- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Robert M. Sapio, MAI, SRA have completed the continuing education program of the Appraisal Institute.

December 18, 2014  
Date

  
Robert M. Sapio MAI, SCGRE 42RG00022000

## **Certification**

As to the Appraisal Institute and USPAP 2014:

I certify that, to the best of my knowledge and belief

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions in conformance with the Uniform Standards of Professional Appraisal Practice.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
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- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
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- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one other than the person(s) signing this certification provided significant real property appraisal assistance in the preparation of this appraisal report.

As to the Appraisal Institute only (2014):

- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Errett L. Vielehr, have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

December 18, 2014

Date

  
Errett L. Vielehr, CTA, SCGRE 42RG00106600

This appraisal has been made subject to the following General Assumptions and General Limiting Conditions.

**General Assumptions**

1. INFORMATION USED:

Responsibility is not assumed for the accuracy of information furnished by the client, his designee, public records or other sources. We are not liable for such information.

The market data relied upon in this report has been confirmed with one or more parties familiar with the transaction unless otherwise noted; all such data are considered reliable to the best of our knowledge.

2. EXHIBITS:

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose and are not intended to represent the property in other than actual status, as of the date of the photos.

3. LEGAL, ENGINEERING:

Responsibility is not assumed for the legal description or for matters including legal or title considerations.

The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the appraiser.

4. PROPERTY TITLE:

The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated in the report.

Title to the subject property is assumed to be good and marketable unless otherwise stated.

5. HIDDEN COMPONENTS:

The appraisal is based on there being no hidden or unapparent conditions of the property site, subsoil, or structures or neighborhood which would render it more or less valuable. Responsibility is not assumed for any such conditions or for any expertise or engineering to discover them.

The appraiser has inspected as far as possible, by observation, the land and the improvements thereon; however it was not possible to personally observe conditions beneath the soil or hidden structural, or other components, or any mechanical components within the improvements; no representation is made herein as to these matters unless specifically stated and considered in the report; the value estimate considers there being no such conditions that would cause a loss of value unless otherwise stated. The land or the soil of the area being appraised appears firm unless otherwise noted, however subsidence in the area

is unknown. The appraiser(s) do not warrant against this condition or occurrence of problems arising from soil or environmental conditions.

The appraiser is not a building or property inspector. This report should not be relied upon to disclose any conditions present in the subject structure(s). The appraisal report does not guarantee the property is free of defects. A professional inspection is recommended.

6. HAZARDOUS MATERIALS:

Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge or the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in that field.

7. MECHANICAL:

All mechanical components are assumed to be in operable condition and status standard for properties of the subject type unless otherwise noted. Conditions of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Judgment is not made as to adequacy of insulation or energy efficiency of the improvements or equipment.

8. LEGALITY OF USE:

The appraisal is based on the premise that, there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

**A legal opinion should be sought by the user(s) of this appraisal report to confirm the appraiser's conclusion as to compliance with zoning and other land use controls.**

9. COMPONENT VALUES:

The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

10. **MANAGEMENT OF THE PROPERTY:**  
Responsible ownership and competent property management are assumed.
11. **FRESHWATER WETLANDS:**  
No representation is made concerning possible Freshwater Wetlands. If such conditions exist, it could significantly affect value, in which case we reserve the right to revise the value estimate.
12. **ISRA:**  
The subject property is governed by (ISRA) Industrial Site Recovery Act of New Jersey enacted June 16, 1993. At the time of inspection, there were no visible signs of damage by hazardous waste or toxic materials. This appraisal assumes the subject is not in violation of ISRA requirements. If the property is affected, it could significantly affect value and in that case, we reserve the right to revise the value(s) reported.
13. **AMERICAN WITH DISABILITIES ACT:**  
Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
14. **MARKET CONDITIONS:**  
Real estate markets constantly change and fluctuate. Although we assume general stability in local and national markets, the appraiser's estimates and forecasts of future market conditions, i.e. rental rates, expense rates, supply, demand, etc. are based on our interpretation of market participants perceived expectations, but there is no guarantee these events will occur as projected.

#### **General Limiting Conditions**

1. **ACCEPTANCE OF, AND/OR USE OF, THIS APPRAISAL REPORT**  
CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.
2. **LIMIT OF LIABILITY:**  
Liability of Robert M. Sapio Real Estate Appraisal & Consulting, LLC and its employees is limited to the fee collected for preparation of the appraisal.
3. **USE, COPIES, PUBLICATION, DISTRIBUTION OF THIS APPRAISAL REPORT:**  
This appraisal report is prepared for the use of Susquehanna Bank, to assist with loan underwriting and/or credit decisions. It is not to be relied upon by third parties for any purpose, whatsoever.

The report may not be used for any purpose by any person or party other than Susquehanna Bank without the express written consent of an officer of the

### **General Limiting Conditions**

appraisal firm (Robert M. Sapio, Real Estate Appraisal & Consulting, LLC) or the client and then only in its entirety.

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations efforts, news, sales, other media, without the written consent of the client and approval of an officer of the Sapio firm, nor may any reference be made in such a public communication to the Appraisal Institute or the MAI or SRA designations.

**4. COMPLETION OF CONTRACT FOR APPRAISAL SERVICES, TESTIMONY, CONSULTATION:**

The contract for appraisal, consultation or analytical service, are fulfilled and the total fee payable upon completion of the report. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing by reason of making this appraisal, in full or in part, nor engage in post appraisal consultation with the client and/or third parties except under separate and special arrangement and at an additional fee.

### **Extraordinary Assumption:**

**This appraisal report is based on the following Extraordinary Assumptions:**

- 1. Approximately 40% of the building was not inspected since the primary tenant is L-3 Communications is a defense contractor, and for security reasons, access was not provided. We have reviewed the floor plan for the entire property and it has been represented with the fit and finish of those areas are commensurate with the other portions of the building. If subsequent information proves contrary, that might impact on our market value conclusion.**
- 2. The "As Stabilized" market value is based on the execution of a lease by Cooper Hospital, essentially similar to the unexecuted lease provided to us. In that lease, the contract rent for the property will be \$17 per square foot for the first ten years and then will go to the greater of 70% of market rent or not less than \$9 per square foot for the remaining five-year terms. There are also two, five-year options.**
- 3. The current lease to L-3 Communications on the property was requested but not provided. The new lease will take effect on**

December 11. The current lease rate was provided and it has been represented that it is on a net basis. If the terms are contrary to the information provided that might impact on our market value conclusion.

4. The underlying land is owed by the Economic Development Authority (EDA) of New Jersey who in turn leases the land to the Camden Center Urban Renewal Partnership. A copy of that lease was requested but not provided. In the "As Is" market value estimate we have treated the property as if it had a unified owner of the land and improvements.
5. The Income and expense history of the property was requested but not provided. The buyer of the property did provide an estimate of future expenses based on their review of the historical expenses. Those expenses appear reasonable, but if subsequent historical information differs it might impact on our market value conclusion.
6. Our "As Stabilized" value reflects the impact of the 2013 Economic Opportunity Act on the City of Camden and in turn current market rents.